

BUSINESS WEEK

JAN. 31, 1948



Thomas B. McCabe. His is the new hand on national credit controls (page 6)

BUSINESS
WEEK
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The High Cost of Living has hit corporations, too

YOU hear people say, "Look at the huge sales figures of corporations. They can afford anything." Let's see.

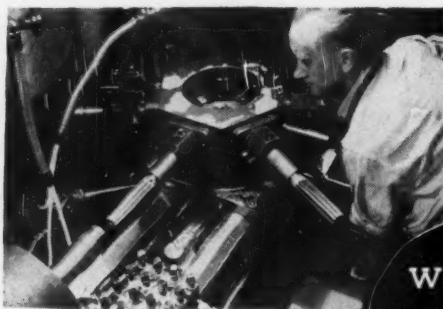
Every corporation, even a factory, is in the business of buying and selling—buying materials, labor, supplies; selling a finished product. Everything a company buys today has gone up in price—more, in the case of the labor it buys, than prices have gone up in your corner stores.

Inflation benefits no one and harms everyone, and harms corporations most of all because they have to finance today's high wages and prices by the small profits of yesterday which taxes let them keep.

This vicious spiral of inflation will never be stopped until everyone in America is ruined and jobless, unless everyone (not just "the other fellow" but *you* and *I* and *every-one*) gives full value for every wage received, every price charged.

Does that mean wages can't be increased? No. But it does mean workers should produce more to earn the increases they have already received (if all had done so, we wouldn't have today's high prices) and should agree to produce more to earn any other increase asked.

The laws of economics can *not* be repealed. Everyone who ever tried it for long has ended in ruin.

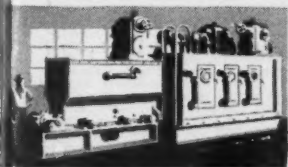


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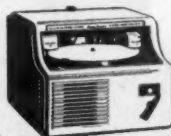
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THE COVER

Thomas B. McCabe's nomination this week as a member of the Federal Reserve Board caused little excitement. A day later, however, news that the Scott Paper Co. president would be Reserve Board chairman caused a commotion. Business, banking, and government circles buzzed with conversation and speculation.

But to McCabe's friends, there was one common reaction: Someone convinced Tom that there is an important job for him to do.

• **The Job**—There is little doubt about the importance or size of the assignment. As Reserve Board chairman, McCabe will be the one man most directly charged with handling bank credit problems. It will be his responsibility to put on the inflation brakes and to gage the necessary pressure placed on those brakes.

President Truman's Economic Report to Congress a fortnight ago highlighted the immensity of those problems. That report bore down hard on control of business credit as a weapon against inflation.

Now McCabe faces the task of deciding whether the recommendations made thus far were too drastic, too lenient, or right in the groove.

• **Experience**—Although he is a businessman, McCabe does not have to take such a long step to reach his Washington banking assignment.

Since 1928, McCabe has been a director of the Federal Reserve Bank of Philadelphia. He has served as chairman of that regional bank since 1939. His services there give one interesting clew to his probable method of operation in Washington. McCabe has clung fast to the old rule of banking: "Never tip your hand."

One year after he was graduated from Swarthmore College in 1915, McCabe joined Scott Paper as a salesman. He moved up to sales manager in 1920 and to a vice-presidency in 1927. Later that year, he became president.

• **Government Record**—He built up a record of government service in recent years. In 1940, he was caught up in the whirl of national defense planning and served as deputy director of priorities and deputy Lend-Lease administrator. He was Army-Navy Liquidation Commissioner in charge of surplus disposal overseas.

During his previous years spent in Washington, McCabe managed to keep out of the limelight. Nevertheless, his associates say that his quietness and personal charm generate loyalty in people around him. That quality should stand him in good stead in his dealings with congressmen and other public officials.

BUSINESS OUTLOOK

BUSINESS WEEK

JANUARY 31, 1948



World markets increasingly are ruled by the desirability of dollars.

It isn't only that foreigners need dollars (as they do, of course). It is also that they would flee from their own currencies into dollars.

Weak currencies abroad could influence prices in this country in a very real and important way.

Fear of devaluation would tend to divert goods to this market.

A producer of raw materials, lacking confidence in his own currency, would try to sell to the U. S. An exporter in Latin America, though his usual customer is in Europe, might rather ship to this country.

That's why official French announcement of franc devaluation (page 83) sent commodity prices sliding here. By and large, prices in this country aren't directly affected. Yet the indirect implications are powerful.

French francs won't buy so much American food at the new rate. That, theoretically, will cut our exports. Actually, though, most food shipments will be provided for through the European Recovery Program.

Short range, we should buy more from France; French goods are cheapened in terms of dollars. Few such purchases, however, will be of goods that compete with domestic production.

Long range, our buying will give France more dollars to spend here.

Or, if need be, France can spend the dollars in Chile for copper. Chile, in turn, will import American machinery or motor cars; the outcome would be sustained U. S. exports any way you look at it.

Many experts who have been checking and rechecking world food needs claim to see little reduction in American exports for many years.

Europe, of course, gradually will become more self-sufficient. However, these observers see a ravenous market in the Far East indefinitely.

Surplus rice producers, they figure, will be exporting less. Political leaders in an autonomous Burma, for example, have to raise living standards or answer for their failure. They'll ship less to India and China.

The political heads of the new Indian states, similarly, can't afford the long-accustomed famines. Presumably they will seek wheat from the United States. So will China, this reasoning goes on.

They can't pay, you say? Well, maybe the price of preventing the spread of Communism includes relief for India and China.

That, anyway, would be a way to prop farm prices, avert surpluses.

January industrial output is falling behind the very high rate that characterized the latter part of 1947.

Fault is with the weather, not industry. Gas shortages have pinched plants in Pittsburgh several times recently. This week, they hit Detroit and other areas.

Shipping delays make fewer headlines but are perhaps even more damaging. Inability to get raw materials into the plant or finished products out, due to snow-strangled carriers, slows production lines.

Fairly sharp reduction in employment may be expected when the January figures become available. It may be a little more than seasonal.

One reason is that employment in the broad category of "trade" reached

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
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the rather remarkable total of 9.4-million in December. That is a million above 1941 and 2-million higher than 1939. Moreover, it tops the 1946 holiday peak by approximately 160,000.

Construction employment, too, will be cut in January. This will be accentuated by bad weather, which is virtually nationwide.

A clew to what is going on may be had from figures on insured unemployment. This has been rising since Dec. 20. But the rise in unemployment won't include all the people laid off. Many who had December jobs in trade were emergency workers; they will vanish from the labor force.

•
This is the time of year to wonder if home building will pick up next summer as vigorously as it did last. At least a few observers doubt it.

Their reasoning: Prices will remain high. Mortgage lenders will be more cautious. The combination will drive a few buyers out of the market.

But this reasoning can be carried one step further. If building is slow, prices will decline. Then marginal buyers will reenter the market.

In short, the housing peak may be behind us but don't bet on it.

•
Industries that go on setting production records year after year are bound to catch up with demand some time. Such is the case with paper.

Output of paper and paperboard reached 21-million tons last year, a record. That was 9% above 1946 and 55% ahead of 1939. And the Dept. of Commerce predicts still higher output in 1948 due to expansion of plant.

Simultaneously, David L. Luke, Jr., president of West Virginia Pulp & Paper, warns that supply is catching up with demand.

"A period of aggressive competition is not far off," he continues.

•
Tobacco raisers were pleased by Secretary of State George Marshall's assurance that ERP will move tobacco to Europe. However, it appears these relief shipments will not alter a basic situation of oversupply.

The Dept. of Agriculture announces that it sees nothing to warrant a modification of the flue-cured acreage quotas which are 28% below 1947.

•
Honey bees are doing their bit to keep the country supplied with sweets.

Production of honey last year totaled 228-million lb., 7% above 1946 and 13% higher than the 1941-45 average. And another good year is likely; honey left in hives averages 41.4 lb. per colony against 37.1 lb. a year earlier so that most colonies should winter well.

Incidentally, the country had 5,910,000 bee colonies in 1947. That is very nearly as many as we have farmers.

•
Unexpectedly large stocks of wheat on hand Jan. 1 (795-million bu.) have had the grain markets jittery this week. That accounts for the wide price swings and relative weakness in most trading sessions.

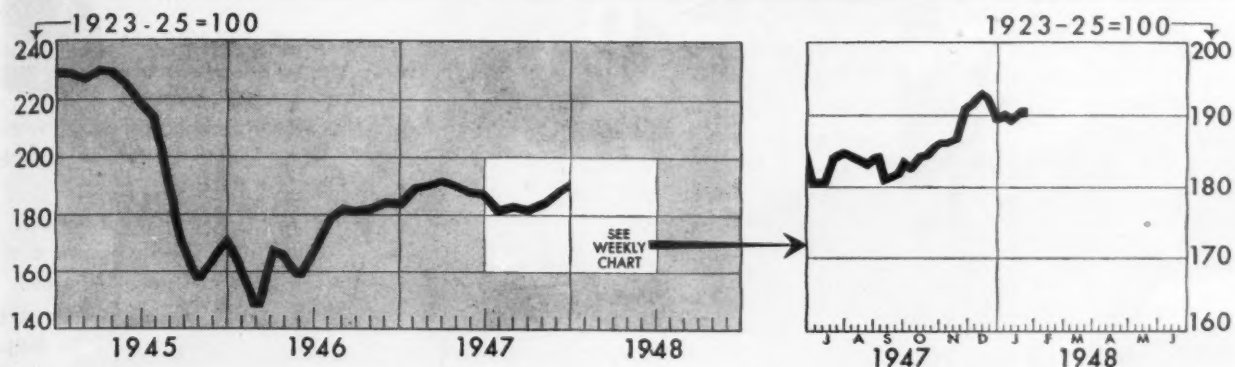
However, this should not obscure the fact that feed is still scarce. A good corn crop would change that—but not until next November.

•
General Motors apparently is pricing its new models with an eye to holding the line, hence being able to argue for a minimum wage rise.

In any event, with industry-wide price increases expected on this year's models, G. M. made no change on list for new Chevrolets and Buicks.

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FIGURES OF THE WEEK



Business Week Index (above)

Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
*190.8	†190.8	190.1	190.4	162.2

PRODUCTION

Steel ingot operations (% of capacity).....	95.2	96.1	96.4	93.6	97.3
Production of automobiles and trucks.....	109,865	†109,031	75,638	93,278	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$16,150	\$14,881	\$15,624	\$15,378	\$19,433
Electric power output (million kilowatt-hours).....	5,436	5,370	4,830	4,856	3,130
Crude oil (daily average, 1,000 bbls.).....	5,336	5,326	5,285	4,672	3,842
Bituminous coal (daily average, 1,000 tons).....	2,172	†2,300	2,197	2,212	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	81	81	84	81	86
All other carloadings (daily average, 1,000 cars).....	55	57	55	57	52
Money in circulation (millions).....	\$28,211	\$28,374	\$29,111	\$28,369	\$9,613
Department store sales (change from same week of preceding year).....	+5%	+8%	+8%	+17%	+17%
Business failures (Dun & Bradstreet, number).....	109	61	38	52	228

PRICES (Average for the week)

Spot commodity index (Moody's, Dec. 31, 1931=100).....	447.5	452.0	458.2	376.9	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	287.6	285.3	295.9	266.6	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	414.8	422.4	416.7	302.0	146.6
Finished steel composite (Steel, ton).....	\$78.41	\$78.18	\$76.32	\$69.82	\$56.73
Scrap steel composite (Iron Age, ton).....	\$40.83	\$41.83	\$40.00	\$31.00	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	21.500¢	21.500¢	21.500¢	19.638¢	12.022¢
Wheat (Kansas City, bu.).....	\$3.04	\$3.10	\$3.00	\$2.09	\$0.99
†Sugar (raw, delivered New York, lb.).....	5.65¢	5.61¢	6.32¢	6.12¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	34.51¢	35.21¢	35.84¢	31.12¢	13.94¢
Wool tops (New York, lb.).....	\$1.884	\$1.884	\$1.890	\$1.515	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	21.18¢	21.75¢	22.69¢	25.75¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	114.2	117.2	120.4	121.8	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.53%	3.51%	3.56%	3.12%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.86%	2.85%	2.90%	2.56%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	1½%	1½%	1½%	1½-1½%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1½-1½%	1½-1½%	1½%	1%	1-1½%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	48,970	48,963	48,877	46,787	††27,777
Total loans and investments, reporting member banks.....	65,530	65,088	65,305	64,430	††32,309
Commercial and agricultural loans, reporting member banks.....	14,761	14,689	14,719	11,542	††6,963
Securities loans, reporting member banks.....	1,470	1,449	1,935	2,250	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks.....	37,886	37,587	37,366	41,215	††15,999
Other securities held, reporting member banks.....	4,250	4,258	4,217	3,951	††4,303
Excess reserves, all member banks.....	1,070	1,540	1,070	726	5,290
Total federal reserve credit outstanding.....	22,227	22,568	23,011	24,201	2,265

*Preliminary, week ended January 24th.

†Ceiling fixed by government.

‡Date for "Latest Week" on each series on request.

†Revised.

††Estimate (B.W.—Jul. 12 '47, p16).



In the modern department store

York Cooling creates the atmosphere for sales

Merchandisers know that every day is a good day for business in the store that is air conditioned. They know that comfortable shoppers make the best shoppers, and that clean air means clean, dust free merchandise.

In the "windowless" Foley's ultra-modern department store in Houston, Texas, a York turbo-refrigeration system, chilling 180,000 gallons of water every hour, is the heart of the huge air conditioning installation. 3 miles of pip-

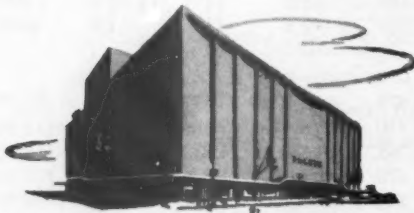
ing provide the arteries through which the chilled water is circulated to equipment that conditions 600,000 cubic feet of air per minute, for circulation to every part of the store through 16 miles of metal ducts.

America's large and most modern department stores—such as Rich's in Atlanta, Halle Brothers in Cleveland, and Scruggs-Vandervort and Barney in St. Louis are providing the year 'round comfort of air conditioning through York-

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YORK *Refrigeration and
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HEADQUARTERS FOR MECHANICAL COOLING SINCE 1885

WASHINGTON OUTLOOK



MARSHALL PLAN obstacles are falling away, one by one. The proponents, however, remain as glum as ever; they're focusing on the threats still ahead—most of them dollar signs.

Administrative machinery for ERP became only a small talking point this week.

Now it's clear that there will be a new independent agency; it's boss will be a Cabinet colleague of Secretary Marshall, but Marshall can veto any action he doesn't like.

Brookings Institution framed this compromise, at Vandenberg's request. The State Dept. will back down this far from its original insistence on keeping ERP under its own thumb.

We think it's enough concession to neutralize congressional distrust of the boys in striped pants. It has already mollified Taft, broken the back of Wherry's 20-man Senate opposition bloc. Herter, too, will string along.

A tactical question now is whether to woo further congressional confidence by announcing—during Senate debate—who is going to be boss of the new agency.

Ambassador Lewis Douglas has been picked for the job. Congress will like his background: businessman, congressman, budget director, and diplomat.

He and Marshall think alike on ERP. They have been working together on it since Marshall's Harvard speech last June.

The Apr. 1 deadline that State set for ERP doesn't look so hopeless now as it did a few weeks ago.

There's an even chance of a law by mid-April. Appropriations will take longer, but ERP operations won't have to wait; RFC will be told to make a loan, to be repaid when Taber lets go of the money.

THAT LEAVES MONEY as the big ERP worry remaining for the Administration.

The State Dept. shudders at G.O.P. talk of "economy" cuts; if ERP comes out too small, they fear, the 16-nation European cooperation machinery would fall apart—individual nations would be forced into private protective moves such as trade quotas, currency manipulations, etc.

More likely are some phony cuts in ERP. A lot of congressmen tell us they've got to do some-

thing that looks like a cut in foreign spending to salve isolationists in their own districts.

There are plenty of ways to do this. You might see a bill providing about \$5-billion for 12 months, instead of \$6.8-billion for 15 months. Or some ERP money might be tucked away in other agencies' budgets—examples: Export-Import Bank, the Army.

MARSHALL PLAN VICTIMS: Ambassadors Cafferey in Paris and Dunn in Rome.

Both are slated to get the axe. They have been under fire for a long time. Now the Marshall Plan debate, and reports from roving congressmen, have really put the finger on them.

ECCLES WAS BOUNCED out of the Federal Reserve Board chairmanship because congressmen didn't like his approach. And neither did Snyder.

Eccles' tight-credit policies weren't directly involved (page 68). Truman went out of his way to make that clear in his letter telling Eccles to step down to vice-chairman.

Truman's congressional liaison men warned him that Eccles' abrupt, often scornful manner was hurting the chances on the Hill of Eccles' own policies.

WHAT HAPPENS to the G.O.P.-sponsored voluntary allocations program rests squarely with the Justice Dept. this week.

On Clark's desk—for antitrust waiver—is the first industry plan for divvying up scarce materials among competitors; sponsor is the National Petroleum Council.

The plan would give oilmen the say-so in handling next summer's gasoline shortage, next winter's fuel squeeze. It sets up a system for: (1) interchange of crude among refiners, (2) pooling of transport facilities, (3) agreement on product specifications.

And it would authorize regional industry groups to take any joint action "deemed necessary" to forward the plan—without specific Justice O.K. for each move.

Antitrust lawyers are horrified at such a free hand for industry. But they won't have the say.

This is one that Clark and Harriman—perhaps Truman—will have to decide. For the oil people are effectively testing the limits of Administration willingness to go along with what Congress had in mind

WASHINGTON OUTLOOK (Continued)

when it spawned this program as a substitute for Truman's anti-inflation requests.

These Republican sponsors, you'll recall, visualized a sort of NRA-type of industrial self-government (BW-Dec.13'47,p15). But Harriman has started the program off as a government planning operation—lacking only mandatory powers to make it a small-scale WPB (BW-Jan.3'48,p19).

So, approval of the National Petroleum Council scheme could mean a different attitude among Truman's men on government-business relations. Then other industry groups may see possibilities in the G.O.P. law.

C.I.O. AND A.F.L. DEFIANCE of the Taft-Hartley ban on use of union funds for political activity is being investigated by the Justice Dept. in three situations.

But don't look for any real court test in time to influence the fall elections. Justice is handling these matters slowly—for more than political reasons.

Two of the docketed cases involve distribution of extra copies of the C.I.O. News carrying Phil Murray's indorsement of by-election congressional candidates in Baltimore and Allentown, Pa.

Third is A.F.L.'s use of radio time and newspaper ads in Connecticut urging removal of Taft and other T-H law supporters from Congress.

WARREN AND VANDENBERG are the gainers from Gen. Eisenhower's dramatic withdrawal from politics.

More and more, the G.O.P. convention looks like an early ballot deadlock between Dewey and Taft. With Eisenhower out of the running, there's no one now who threatens to take the delegates by storm.

That improves the chances of a dark horse candidate. And among the politicians, the names you hear most often are: Warren, Vandenberg, Stassen.

Stassen, of course, gets some of Gen. Ike's workers. But his convention chances will hinge more on how he shows up in the primary tilts—such as against Taft in Ohio.

Stassen doesn't have to win there to improve materially his prospects; even a fairly respectable vote would be bitter medicine for Taft. Stassen knows this—that's why he will concentrate on eight industrial congressional districts, where Taft's name is an epithet to the unions.

Why did Eisenhower take himself out of the race? Nobody knows for sure. It looks from here like a case of an honest man who wrestled with his conscience—and lost.

But this is sure: Eisenhower's philosophizing on the need for separation of military and civilian careers will haunt any General who flirts with the White House—now, or in the future.

THAT \$9-BILLION SYNTHETIC OIL program Krug came up with this week is the McCoy. Over the long term, businessmen can plan in these dimensions.

The proposal is primarily the product of military thinking. Its goal: capacity to produce, within a decade, 2-million barrels a day of liquid fuel from coal, natural gas, shale.

There is wide industry support for the project.

First step is government construction of three 10,000-bbl.-a-day plants. Congress is likely to start these this year; but if not in '48, then in '49.

Big unresolved issue: how to provide the rest—by government construction, by subsidy, or perhaps by tariff protection against comparatively cheap Near East imports. And you can expect the same embittered debates—over financing, over alternate raw materials, over the place of independents—that characterized the much smaller synthetic rubber program.

EMBASSY ROW is intrigued by the behavior of the new Russian ambassador. He's acting human.

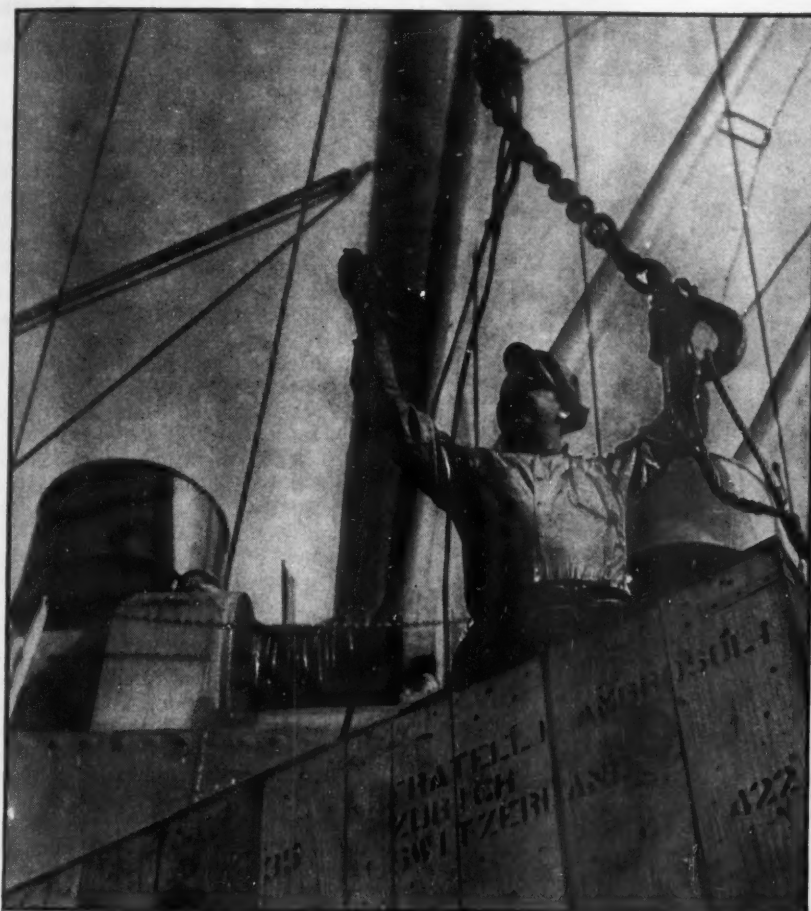
In his first month in Washington, Ambassador Panyushkin has made a point of calling on Sen. Vandenberg and Rep. Eaton, congressional foreign relations chairmen, and has given an interview to the Associated Press.

Neither Gromyko nor Novikov was ever so cordial.

- Rep. Bender is planning a headline-hunting inquiry into Victor Emanuel's Convair and Republic Steel war business. . . .

- Don't expect Wage-Hour Administrator McComb to act to revise definitions of "white-collar" workers until Congress decides what to do about the wage law itself; that'll be next summer. . . .

- Worrying for 12 pages as to why the birthrate went up when the men were away at war, Census Bureau concludes that causes are: ". . . Allotments to dependents, the Emergency Maternity Care Program, and occasional furloughs. . . ."



A LICENSE WILL BE NEEDED after Mar. 1 for shipments like this to Europe

New Export Controls Coming

Commerce Dept. plans to require specific licenses after Mar. 1 for all shipments to Europe, despite strong opposition from private exporters. Extension of restrictions to other areas likely.

The Commerce Dept.'s proposed new export controls (BW—Jan. 24'48, p83) ran into expected heavy fire from business this week. The National Foreign Trade Council, for instance, issued a blast at the department's plans; it said the new regulations should be rescinded until the whole matter can be reconsidered by the government in consultation with private exporters.

Nevertheless, all signs now indicate that the opposition will be smothered by the hard necessity—as the government sees it—for adjusting U. S. exports to the realities of European recovery.

• **The New Controls**—In essence, the Commerce Dept. plan is simply this:

Starting Mar. 1, U. S. exporters will have to get specific licenses for every shipment to Europe—including Iceland, Turkey, and the non-European territory and colonies of Spain, Portugal, and the U.S.S.R.

Basically, that means that Commerce will have full authority to say what—and how much of it—may or may not be exported to any of the countries involved. The program will be handled by the department's Office of International Trade, headed by Thomas C. Blaisdell, Jr. Blaisdell has been working for the government since 1933, has held some 10 different posts, has been called "the last of the New Dealers."

He's been chief of OIT for about a year.

• **Existing Controls**—OIT already has this power with respect to a long list of items—including railway cars, steel mill products, grains, fats and oils, tinplate, fuel, fertilizer, electrical machinery, nonferrous metal products, and a selected group of chemicals, building materials, and scientific instruments.

These are among the commodities in short world supply. They make up about 25% of the value of all U. S. exports. Commerce's control over these goods extends not only to Europe but to all other parts of the world as well. Now Commerce is going to control all other goods going to Europe—whether they're hard to get or not. That means that after Mar. 1 more than half of all shipments abroad will be under government control.

• **Still More Controls**—And that's not all. High government officials admit privately that the new restrictions will eventually be extended to Latin America, and possibly to the rest of the world.

The reason isn't hard to find: Until the controls are extended, a country like Argentina, say, will be able to make a nice profit by buying goods here and transshipping them to European nations that have been forbidden to buy them direct.

• **Criteria**—Under the new setup, two tests will prevail for exports to Europe:

(1) What contribution will the shipment make to European recovery?

(2) What effect will it have at home? Just how Commerce will go about answering these questions is not yet clear, even within OIT. It's going to be pretty much a matter of learning by doing, of judging each problem as it pops up.

That's going to be tough on OIT. But it will be even tougher on exporters, who are still groggy over the new price criterion that went into effect this month for most goods already under export control (BW—Jan. 10'48, p95).

• **Application**—Here's an idea of how the new controls may work:

Suppose an application to export toys to France comes through. Toys aren't scarce. But the application would probably be denied as a waste of hard currency by the dollar-short French.

Ability to pay, however, won't be the sole test. Thus, if an application to export trucks to dollar-wealthy Switzerland is presented, it may not make the grade because the shipment is considered an unnecessary drain on the U. S. supply.

End use of a given item will be a

major factor in the new procedure, too—just as it now is in controlling exports of scarce goods. If an exporter wants to ship compressors to Belgium for use in air-conditioning a restaurant, chances are he wouldn't get a license. But if the compressors are slated for air-conditioning a factory to set up production, the application would probably be granted.

• **Objections**—Private exporters say that the result of these controls will be serious delay in production and shipment of goods urgently needed for European recovery. Here's why, according to the National Foreign Trade Council:

"Many commodities must be scheduled for production following a normal pattern. If the production and shipment of such goods is delayed by licensing procedure or by the uncertainties of bureaucratic decisions, they may . . . be diverted from destinations where urgently required to domestic or other areas."

The private foreign traders also make the point that almost every country in Europe has a raft of import restrictions, and that these should be guaranteed enough that only essential goods will get through.

• **Rebuttal**—OIT's answer to that one is two-fold:

(1) There's nothing to stop a country from changing its rules. And if the U. S. taxpayer is going to be chief mechanic in putting the European machine into running order, we ought to sit more firmly in the driver's seat.

(2) Many individuals abroad have managed to build up dollar balances in this country and could use these funds to import luxuries or near-luxuries, despite existing foreign exchange restrictions.

• **Prelude**—The new controls have been in the cards since last fall. That's when



... AND CON: Eugene P. Thomas, president of the Foreign Trade Council, views them "with utmost concern."

the Administration began to realize the job it would have on its hands with the Marshall Plan—what it would cost this country in shortages as well as in high prices.

The stage was really set when Congress passed the anti-inflation bill at the tail-end of its special session last December. This legislation extended the Second Decontrol Act—which gives the Administration power to control exports—for one year (through February, 1949).

There was strong pressure within the Commerce Dept. to slap the new controls on earlier this year. The thinking was that they were overdue—Marshall Plan or no. Besides, Congress was needling the Administration to protect the country against "draining its resources," and to "ration Europe before rationing the U. S."

• **Question of Funds**—The real stumbling block to putting in the new controls earlier was the lack of money for more manpower. Commerce worked this out with the help of nickel-nursing John Taber, chairman of the House Appropriations Committee.

Commerce is now reshuffling OIT's divisions to handle the headaches to come. It has also begun to hire 500 to 700 more people who'll help to pass the aspirin.

INDUSTRY HUNTS SCRAP

The auto industry has opened scrap-collection drives reminiscent of war days. They are aimed at breaking what promises to be one of the tightest manufacturing bottlenecks of 1948.

General Motors started a campaign this week among employees, dealers, and divisions to get all available iron and steel scrap out of homes, farms,

factories, and other business places and into the mills. Special advertising will back up the drive.

Announcement of the G. M. campaign noted the fact that 1947 steel production was 2-million tons under the 65-million ton capacity of the industry—due in large part to shortages of scrap metal. Addition of 3-million more tons of capacity this year, said General Motors, won't provide much net increase in total output without additional material to feed the furnaces.

This drive was the second started in the auto industry. A month ago Packard Motor Car Co. began a scrap-collection program among its dealers, hooked onto a persuasive reward—larger car quotas. Dealers in the Northeast and North Central areas, within convenient shipping distance of the factory, were asked to collect scrap and send it—transportation charges collect—to the plant. Dealers get the going Detroit market prices for the material—plus one car above their regular quotas for each ton of scrap.

Packard's bonus-car idea met immediate response. Some dealers—until they were straightened out—went into regular scrap channels and bid up prices to get quantities that would bring them more cars. That enthusiastic misdirection has since been corrected, but the drive is continuing strong.

Another Detroit company, meanwhile, is reported to have gone into the wreckage business to get scrap. It's said to have made a deal to buy a Great Lakes vessel no longer in use, with the idea of dismantling it and selling it for scrap.

FORD BUYS MORE IN WEST

Ford Motor Co. has signed contracts with three more California parts manufacturers, pushing the motor company's West Coast expenditures past \$17-million, but still below its \$50-million-a-year goal (BW—Feb. 15 '47, p. 19).

The latest contracts amount to \$1.9-million. Cannon Electric Development Co., Los Angeles, gets the lion's share. It signed a million-dollar contract to produce ornamental die castings, representing 2.5-million pieces a year. Also, Cannon is setting up facilities to make horns for all Fords assembled on the West Coast—an additional \$400,000 yearly for the firm.

A second concern—Bendix Aviation Corp.'s Pacific Division—has contracted to make master brake cylinders for all cars to be assembled on the West Coast. This also is a \$400,000 contract.

A fourth contract—for \$100,000—went to R. H. Osbrink Mfg. Co., Los Angeles, for producing permanent-mold aluminum castings for camshaft timing gears, to be shipped to the River Rouge plant for machining.



PRO: Thomas C. Blaisdell, Jr., will administer the proposed new export controls . . .

More Sugar

Big Cuban crop swells world's sugar bowl, and U.S. refiners lower prices. Industrial users benefit most.

The sugar industry is starting back to its normal condition of oversupply.

• **Decline Spreads**—Last week came the first major price drop in refined sugar prices since the war. National Sugar Refining Co. reduced the price of bulk refined sugar from 8.4¢ to 8¢ a lb. The other domestic refiners of cane sugar followed suit. So did the processors of sugar beets, who set their price at 7.9¢, the traditional tenth of a cent below cane.

The price drop affected industrial users more than householders. Bulk sugar is mainly used by soft-drink makers and confectioners. Packaged white sugar, which goes to family consumers, declined only 0.2¢ a lb. Refiners' reason: higher costs for packaging the household sugar.

• **Bumper Crop**—Refined sugar prices have risen scarcely at all since rationing ended last July. This is largely because of a record Cuban crop in 1947—over 6.4-million tons. Since Cuba is the world's biggest sugar bowl, the Cuban crop serves as a barometer of sugar supply and demand. In 1948, it promises another big offering—about 6-million tons.

Cuba may have trouble getting rid of the 1948 crop. The amount of sugar it can ship to its chief customer, the U. S., is limited to protect this country's sugar beet and sugar cane industry. According to the quotas set by the Dept. of Agriculture under the Sugar Act of 1948 (BW—Jul. 19'47, p. 17), Cuba can export about 3.2-million tons to the U. S. After allowing for home consumption, Cuba will have about 2.5-million tons more for sale in the world market. But dollar-short Europe cannot buy more Cuban sugar.

A great deal depends on the Marshall Plan. If it goes through as originally planned, it would provide dollars to European countries for the purchase of over 2.6-million tons of sugar. Cuba might supply more than 2.1-million tons of this amount.

• **Futures Up**—After the drop in domestic refined prices, sugar men watched an interesting development: Futures for raw sugar on the New York Coffee & Sugar Exchange climbed. Behind the rise were rumors that Cuban interests are buying to hold prices up. The Cuban government, the story goes, may take a million tons or so of sugar off the market to prevent the price from dropping to ruinous lows. This has been

tried before, but it has never worked out.

But so far as U. S. prices on refined sugar are concerned, some sugar brokers say they are still out of line with supply. There may be another price cut coming along one of these days.

• **Sugar-Shy?**—Another thing that is bothering the sugar industry: The

United States consumption quota for 1948—7.8-million tons—works out to about 109 lb. of sugar per person. That's 13 lb. more than the 1935-39 (inclusive) per capita consumption. And here's the catch: It's 25 lb. more sugar than the average American had to learn to get along on during the period of the war.



Big Top on a Building Site . . .

Bricklayers have crowded out the acrobats as the center-ring attraction in this big-top circus tent near Cincinnati. Pitched on the site of a new 1,000-family building project, the tent was bought by Dillon Builders to keep construction going—rain or shine.

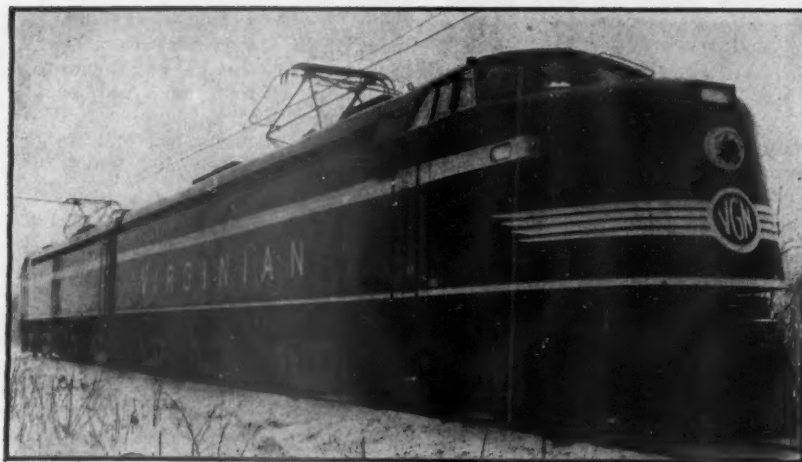
Builders raise the tent over the foundation and sub-flooring of a new house. When bad weather comes, bricklayers move in from an outside job, keep right on working. As soon as the walls reach a height of eight ft., the canvas moves to a new location.



. . . Brings Outside Work Inside

Though the tent is intended mainly for wall construction, Dillon claims it could also be used for laying foundations and sub-floorings. Longer center poles would do the trick when

pitched over a basement excavation. The idea has already proved a success; the company now plans to take on more canvas to expand the project.



Electric Locomotives for Coal Hauls

Part of a \$34-million equipment order, four new giant locomotives from General Electric will soon be rolling the rails of the Virginian Ry. The 500-ton behemoths turn up some 6,800 hp., making them among the most powerful electric engines in the United

States. The Virginian has 661 mi. of lines through the rich bituminous coal fields of southern West Virginia. The new locomotives will have a good reserve of power to enable them to get over the stiff grades in the Allegheny mountains.

Varga: Victim of Capitalism

No. 1 Soviet economist is in disgrace because he dared to modify the official government line that the capitalist crisis is at hand. For U.S., move shows Soviet will stay tough.

The Soviet government will not be budged from its current policy of extremism and refusal to compromise. That much became clear last week when it denounced and demoted Eugene S. Varga, for 20 years its No. 1 economist.

Varga is as strong a supporter today of Soviet politics—foreign and domestic—as he ever was. Yet he is in disgrace. The reason: His distaste for western capitalism has been modified by fact and logic. That is the only interpretation that can be put on his views after a thorough study of all the facts available in the U. S.

• **False Reports**—Reports out of Russia give no inkling of Varga's moderation; they make him a virtual traitor to Communism. Hard on the heels of his dismissal (as director of the Institute of World Economics and World Politics in the Soviet Academy of Sciences) the reports began to come out. They said that Varga had become an apologist for world capitalism, a backer of the Marshall Plan, a proponent of more friendly cooperation between the U. S. and Russia.

Although the U. S. press swallowed this almost whole, none of it is true. The *Annals of the Soviet Academy of Science* of July and August, 1947, show

clearly his loyalty to Soviet Communism. The report of the discussion between Varga and his opponents at that time proves that he supports the entire Soviet government.

• **Postwar Capitalism**—Varga's downfall stems from a split between him and his opponents over how the capitalist societies were trending in the postwar period. The official Moscow line has been that the capitalist crisis is already at hand. Varga took a more moderate tone. Said he: "It is not to be excluded that the crisis has actually begun, but confirming this exactly may be done only later" (BW—Dec. 6 '47, p. 26).

Because of this disagreement, Varga has suffered the customary fate of the scapegoat which every ideological discussion in the Soviet Union demands.

• **Varga's Book**—The disagreement began with a book Varga wrote at the order of the Soviet government. At that time, the prevailing Soviet line was that of Teheran. Varga wrote his book to accord with it.

The first part of the book appeared in 1946, was concerned only with economic questions. The second part was to have been devoted to the political question. It never appeared publicly. (Two weeks ago Earl Browder, deposed

American leader of the Teheran line, published a pamphlet. Called "World Communism and U. S. Foreign Policy," it follows Varga's views closely on some points.)

• **Varga's Position**—No one in the Western Hemisphere has yet seen the first part of Varga's book. Thus the only source for finding Varga's position is the *Annals of the Soviet Academy of Sciences*. A study of these shows Varga's position to be about as follows:

Capitalist Crisis. Varga rides right along the customary Soviet line on this subject by stressing the depth of that supposed crisis. In fact, he says that his entire book is devoted to that very question. But he also says that the ravages of war have brought the need for great reconstruction in capitalist economies. This, in turn, weakens the forces necessary to bring the crisis to a quick head. He estimates that this reconstruction period will run for about 10 years.

It can safely be guessed that Varga's opinion as to the tempo of the U. S. crisis differed from that of his opponents. Since they stoutly maintain that the crisis is already at hand, they concluded that he was off the party track for good.

One World. Varga's opponents charge him with arguing that there is a growing trend for the unification of world economy. Further, they charge him with saying that the irreconcilable differences between capitalism and Soviet Communism have been wiped out for the reconstruction period.

There is no evidence in the discussion—and apparently none in his book—for either charge against Varga.

Monopoly. Varga believes implicitly in the well-known Communist thesis that monopolies control the capitalist state. He goes even further: Due to certain war conditions, the monopoly controlled state became the dominant force in the capitalist economy. He says that an entire chapter of his book argues that the capitalist order cannot be transformed to a planned economy and remain capitalistic.

Varga's opponents have twisted this around completely. They argue that he has reversed the Communist position by stating that the state controls the monopoly in a war situation. The only apparent evidence for this reasoning: Varga had said that during the war, the capitalist states exercised certain regulatory functions.

The Masses. His opponents charge Varga with saying that the capitalist states improved the position of the exploited masses during the war at the expense of profits. Actually, he said only that the per capita standard of living in the U. S. went up 20% during the war.

Prosperity. Varga states that the war has brought a general tendency toward

impoverishment. Yet he admits a counter-tendency toward enrichment.

He also stresses that the affairs of western capitalist countries are determined by finance capital. But his mistake, in the eyes of his opponents, is the statement that sometimes other parts of the population have a limited influence—such as the U. S. farmer, the British laboring class.

Satellite States. The report of the discussion says that Varga's book calls the Soviet satellites "state capitalist" in nature. But later he revised this opinion, said they were in a period of transition from "state capitalism" to socialism.

The real conflict between Varga and his opponents on this point seems to be this: Varga gives these states a lesser role in the total picture of European development than he gives the western states. His opponents won't accept it.

The Farmer. It is obvious that Varga stresses the significance of the Soviet agrarian reform in the strongest possible manner. But he adds that any such deep reform must lead to a temporary decline in productivity. To his opponents, such an opinion is a deadly sin against the holy ghost of Communism.

• **Varga's Crime.**—The whole Varga affair naturally has a political background.

When a totalitarian society is on the offensive, it demands complete ideological unity. It operates on the principle that any deviation might disturb "unity of action" at a vital time.

Varga's crime is a deviation that seems to threaten that unity. He must therefore take his place as a scapegoat in the interest of an inner mobilization of the party for its next goal. Thus the Varga affair is a family squabble. It has only one significance for the U. S.: Russia will continue its rough business.

PLYWOOD GIANT

Georgia Hardwood Lumber Co. is now the world's largest producer of plywood. It owns or controls plywood mills with an annual capacity of 250-million feet.

It attained this spot last week by buying stock control of the Washington Veneer Co. from Weyerhaeuser Timber Co. Washington Veneer owns two plywood mills at Olympia, Wash., plus a 60% interest in another at Springfield, Ore. Georgia Hardwood already controls Bellingham Plywood Corp. of Bellingham, Wash.

Purchase price of Washington Veneer was \$44-million. To finance the

deal, Georgia Hardwood borrowed \$24-million from a group headed by the Bank of America; sold \$2-million of convertible preferred stock and 15,000 shares of common. Transamerica Corp., Bank of America's investment affiliate, took a piece of both issues; the rest will probably be offered to the public.

GIBSON BUYS COOLERATOR

Gibson Refrigerator Co. of Greenville, Mich., last week bought out the Coolerator Co. of Duluth, Minn. Gibson paid over \$2-million for its smaller competitor in a move apparently aimed at strengthening its position in the growing competition for appliance sales. Combined sales of the two companies last year were \$34.5-million.

Gibson hopes to lift production to 2,000 refrigerators a day as a result of the deal. It recently bought two plants in Belding, Mich., from the Murray Corp. to increase its facilities for making electric ranges and home freezers.

Coolerator now makes a line of electric refrigerators, farm freezers, and retail display freezers to supplement its old line of iceboxes. Coolerator will continue to be operated by its present management.

What Franc Devaluation Means to U. S. Business

U. S. traders are taking a bright view of Premier Schuman's plan to devalue the French franc (page 83).

Lower prices (in dollars) for French goods will stimulate U. S. buying—especially of luxury items such as perfumes, fine wines, brandy, laces, silks.

• **Salvaging a Market.**—For the past few months, French goods have been priced out of the market. The average jump during 1947 was close to 100%. U. S. imports of brandy for the first nine months of last year were 203,000 gal., against a million gal. in 1946. Wines dropped from 1.6-billion gal. to 509-million.

Perfumes and perfume oils didn't take such a licking in the same period. But recently imports have about come to a standstill. Failing a price drop in oils, American companies such as Coty, Inc., would have had to look for new sources of supply. In cases like this the French may not increase their sales by devaluation of the franc, but they should at least hold them.

• **Prospect.**—Importers don't expect delivered prices of French goods to drop as drastically as the

franc (the rate is now 214 to the dollar against 119 previously).

Here are the reasons: Shipping and handling charges won't come down; and prices in France may shoot up again, due to increased costs of material and labor.

• **Customs Trouble?**—And there could be a hitch in all this reckoning. The U. S. Customs could stymie importers' plans if it refuses to accept the new franc rate. There are two ways it could do this:

(1) Consider the new rate as a bonus and charge a higher duty to make up for it;

(2) Arbitrarily use the old rate of conversion.

However, this doesn't seem to be in the cards.

• **Effects on Exporters.**—U. S. exporters should also benefit from the French currency move (page 9). The bulk of American exports will still depend on how many dollars France gets through the European Recovery Program, the U. S. Export-Import Bank, and the World Bank. But individual French businessmen will enter the U. S. market more heavily than before—for both equipment and consumer goods.

Frenchmen will be able to pick up additional dollars from several sources: from increased exports; from hoarded funds attracted to the free market. How much they buy with those dollars, however, remains a question until the French government fixes its policy for granting import licenses. The outlook is that the official line will be to allow more imports.

• **Chance to Invest.**—Some U. S. industries may take advantage of the Paris free market to increase their stake in French industry.

If the franc sells in this market at 350 to the U. S. dollar, this may look like a favorable time to invest in France.

• **Tourist Attraction.**—But it will be American tourists who get the real break from the new franc setup. They will also be able to buy in the free market, which means getting up to three times as many francs for their dollars as they could get officially last week. Paris is optimistically hoping that American tourist outlays next summer will be back to prewar—when Americans changed \$1-million daily in Paris banks.



1 Old granite pile is home of Glenlossie Glenlivet distillery. Here, time and canny hands turn barley and water into whisky. First step: soaking barley in water for 60 hours.



2 On malting floor, sprouting barley is kept in motion for about two weeks.

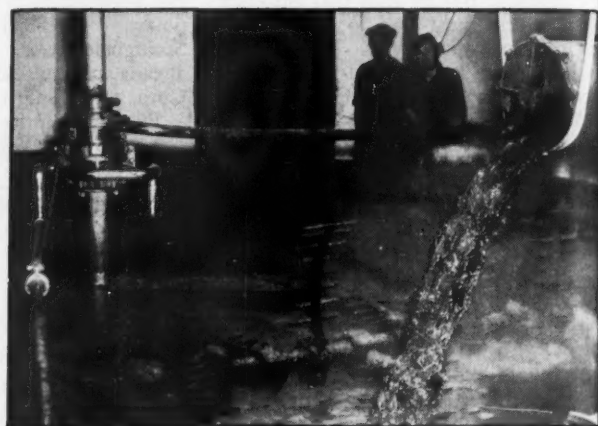
How the Scotch Make It

The basic unit in the Scotch whisky industry is the small, malt-whisky distillery. All told, there are about 100 of these in Scotland, 80 of which are now running. They work from 25 to 30 men and dominate the tiny hamlets which cluster around them.

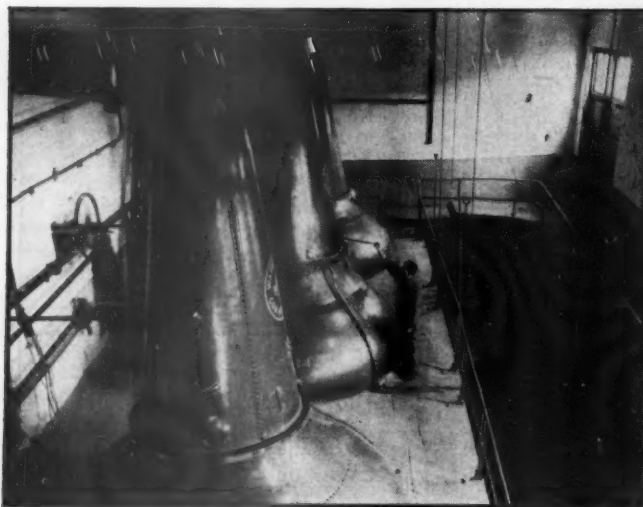
The Glenlossie Glenlivet distillery is a typical sample. In this century-old cluster of gray granite buildings, proud craftsmen use methods and equipment hallowed by time. On the eyes and noses of these men depends the distinctive quality of the whiskies.

A maltsman, for example, must know to a fraction just when the barley kernels have sprouted far enough. A stillman must be able to tell by the color and specific gravity of a run just when to stoke or bank his fires.

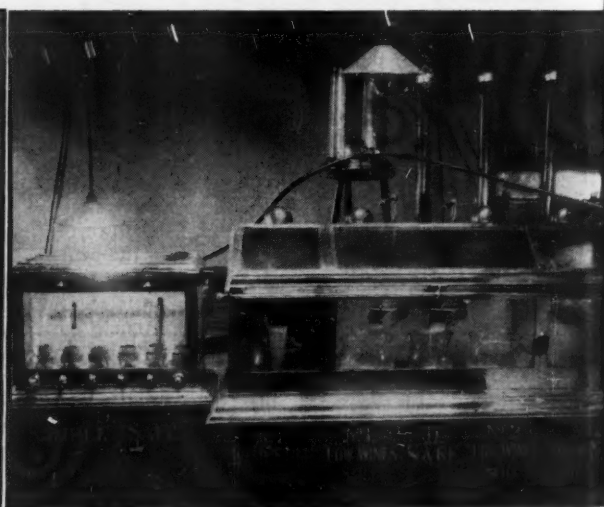
Responsible for the final taste of the bottled stuff are the blenders. They tone down the strong malt whiskies with the quieter neutral grain spirits.



3 Barley (now malt), after drying over flavor-giving peat fire, is mixed with water, dumped into mash tun. Fermentation starts, and the liquid, now called "wash," is drawn off to . . .



4 Pot stills, where it is boiled, its vapors condensed by passing through water-cooled pipes. Still weak and impure, it is redistilled in "low wines" still. Stuff comes up through . . .



5 Spirit safe, where stillman constantly examines it for color and specific gravity. First and last of each batch goes back to low-wines still. Only the "middle cut" is good whisky.



6 Raw malt whisky, still far from U. S. palates, goes into 110-gal. casks for aging in bonded warehouses. Final step: blending with grain whiskies.

More Scotch on the Way

U. S. to get some 5-million gal. in 1948 as Scotland goes after valuable American dollars. But aging of first big batch since the war will make the flow lighter during the next few years.

In the Scottish Highlands and Lowlands this week, the winter malting and distilling season was going full tilt. The ancient malt distilleries were stoking the fires under their boilers and filling their casks with malt whisky. By the grace of Sir Stafford Cripps and the Board of Trade, they had enough barley to distill some 12.5-million proof gal. of the raw stuff this season.

• **Stirrings of Life**—Against the output of prewar years, this figure is hardly impressive. (In 1938, distillers put nearly 30-million gal. in casks.) But the activity is a sign that the industry is getting back on its feet after its enforced wartime shutdown.

Since the stocks in casks have to be aged for from five to eight years, they cannot boost the near-term supply. Nevertheless, American importers can look forward to getting more aged stocks of Scotch in 1948 than at any time since 1940. Britain's Board of Trade has set 7.8-million proof gal. as the current annual export quota. Since the Scotch industry is one of the most important dollar earners, at least 6.2-million gal. must go each year to hard-currency areas. So the U. S. will get some 5-million gal. in 1948—more than twice the amount shipped in 1946.

• **Fewer Wee Drams**—But in the next few years after this one, Americans may have to be content with fewer wee drams. Stocks now aging amount to only 84-million gal. This year the Scots are bringing

out only 10.4-million gal. for blending and bottling. With less and less whisky coming of age in the years ahead, distillers can't hope to bottle more without lowering quality. And any hint of this invariably brings forth some stout Gaelic oaths.

The whisky makers and blenders are a stubborn lot, proud of their wares. They are dead set against hurrying their long-run prospects by hurrying unripened whisky to market. Up to now, the Board of Trade has kept its hands off whisky standards. But with so many dollars at stake, the distillers and blenders wonder how long the chaps in London can resist the temptation.

• **Low Tariff Spur**—As the Board of Trade sees it, Britain may have to push immature whisky on the market to take full advantage of the tariff cuts that the U. S. put into effect Jan. 1. The lower tariff means an average saving of 30¢ a fifth for American buyers. The Board of Trade figures that this is enough to broaden the American market a good bit more.

Exports of Scotch whisky to the U. S. during the year ending Apr. 30, 1948, are expected to net Britain between \$32-million and \$33-million. The prospect of even better earnings in the future will put the Scottish distillers in a stronger position to ask their government for more grain this year.

• **Independent Cooperation**—Although the various units of the Scotch industry

are fiercely independent, they can work together, too. Tying them into an informal but clannish group is the Scotch Whisky Assn. It includes everybody in the industry, from the small malt distillers and blenders to the biggest single organization in the industry: the powerful Distillers Co. Ltd.

Distillers Co. Ltd. is a vast combine. Its subsidiaries, the Big Six of Scotch distilling, blend 60% of the total output. D.C.L. and its units do everything from distilling the malt and grain whiskies to blending and marketing.

• **Clan Members**—The Big Six include: James Buchanan & Co. Ltd. (Black & White, imported by Fleischmann); John Dewar & Sons Ltd. (Dewar's White Label, imported by Schenley); John Haig & Co. Ltd. (Haig & Haig, imported by Renfield & Co.); White Horse Distillers Ltd. (White Horse, imported by Brown-Vintners); Wm. Sanderson & Sons Ltd. (Vat 69, imported by Park & Tilford); and John Walker & Sons Ltd. (Johnny Walker, imported by Canada Dry).

Actually, the Big Six compete among themselves freely, like the separate companies in General Motors Corp., despite their common ownership. D.C.L. lets them run their own shows, except for over-all policies, while it keeps its fingers on a host of outside interests. These include petroleum-chemicals, yeast, penicillin, streptomycin.

The independent distillers are represented by other blends that are familiar to Americans: Teachers, Ballantine's, Grants.

• **Blenders Are Keystones**—The keystones in the arches of the Scotch industry are the blenders. They work out the final combination of grain and malt whiskies that go into the bottled product. (Sometimes as many as 30 different whiskies are used in the making of one blend.) So, although most of the big blenders own or control at least one distillery, they often buy stocks from other distilleries. In the business of making Scotch whisky, supplier-blender ties often mean more than ties of ownership.

In D.C.L., the subsidiary units do their own blending. But for the independents there are organizations known as contract-blenders. These don't market their own blends, but fill the orders of other distillers for particular kinds of blends.

The basis for all the blends is the malt whiskies. These give Scotch its distinctive smoky flavor. They are made in four general Scottish regions. Highland malt comes from north of a line joining Dundee to Greenock. Lowland malt distilleries are south of that line. Islays are distilled on the island of that name, southwest of the Scottish mainland. Campbeltowns come from Campbeltown on the Mull of Kintyre.

• **Brewing Methods**—The malted whiskies are brewed by methods that hae nae

been changed since Scotch whisky was first heard of in the 15th century. Heady and strong with peat reek, only a Scotsman dares to quaff the stuff neat. The final bottled product is toned down with neutral (the Scots call them "sexless") grain whiskies. The proportion of grain to malt differs in each of the 4,000 blends. Ordinarily they run about half-and-half. But some blends run as low as 40% malt to 60% grain—for those who prefer a milder drop.

Grain (or neutral) whiskies come from the Lowlands, in the vicinity of Glasgow, Edinburgh, and Perth. They are made from a mixture of unmalted grains and some malted barley. The continuous process for distilling the grain liquor was patented over 100 years ago. Up to World War I, D.C.L. sold grain whisky straight. But an act of Parliament requiring whisky to be three years old before selling knocked out the market.

• **Only a Nose**—Blending is a skill all in itself. Each blender aims at developing a blend with a particular character and flavor. Once he finds what he wants, he tries to keep the character the same year after year. He has no formula to make it easy. He has to depend on his skill—and especially on his sense of smell. Only rarely does he resort to tasting to confirm his judgment.

But even after the whiskies are blended, they aren't yet ready for bottling. As in all the processes, time is the final factor. The final blend has to stand for six months to allow a thorough "marrying" of the ingredients before it goes into the bottle.

Powdered Kool-Aid To Bow in Bottled Form

An ambitious plan for a new nationwide carbonated soft drink business was announced last week. The product: Kool-Aid, the familiar drink mix now sold in powder form in grocery stores. The principals: Perkins Products Co. of Chicago, maker of Kool-Aid, and the Heronymous & Associates, Inc., franchise managers for the new project.

Perkins has been marketing Kool-Aid powder for some 21 years. Just before World War II it started a bottling program. Local bottling plants in 24 locations in the Midwest hold franchises.

• **Broad Franchise**—Now Heronymous has received from Perkins a franchise covering all territory not served by existing Perkins franchise holders. The plan is to set up Kool-Aid bottling companies in various areas—all locally fi-

nanced. Each will have several bottling plants. The California company, for instance, will have 12 plants; the Wisconsin company, nine. The Wisconsin company already is set up, has had a plant operating at Sheboygan since last August.

Through this arrangement, Heronymous will be in position to control quality of product, standardize marketing techniques and facilities. Perkins, supplying the Kool-Aid sirup to bottlers, will provide national advertising for the 12 to 15 flavors to be sold. It also will set up five sirup-making plants to supply various areas.

• **Sales Outlets**—Sale of the bottled goods will be through grocery stores, drugstores, taverns, and all possible outlets. Financing will be handled chiefly through another Heronymous organization, the investment house of Heronymous & Co. of Sheboygan, Wis.

SOOT WINS A ROUND

W. R. Kellogg, Cincinnati's city manager, was forced to decide this week between the smoke nuisance and municipal frostbite. On Monday he chose warm homes—let the soot fall where it may. The drain on scant fuel supplies caused by persistent cold waves led Kellogg to suspend until Mar. 1 the ordinance banning use of high-volatile bituminous coal in hand-fire equipment.

Following the lead of St. Louis and other soft coal cities, Cincinnati passed an antismoke law last year (BW-Oct. 4'47,p42). Kellogg evoked the regulations last fall—in the face of low stocks of smokeless coal and dire predictions by coal dealers (BW-Oct.25'47,p47). He hoped a mild winter would enable the city to skimp through. But the seasonal ice cap engulfed Cincinnati, ended the argument between heated houses and soiled collars.

CONSTRUCTION COSTS CUT

Chicago architects and home builders have seen a small sample of the way standardization can reduce construction costs. Edward Hines Lumber Co. announced it expects to cut millwork costs for a small home 20% by standardizing sizes and styles of windows, door frames, molding, and other wood trim. Hines is one of Chicago's biggest lumber firms.

The company's new program ties in with the "industry-engineered homes" campaign of the Producers' Council and the National Retail Lumber Dealers Assn. (BW-Sep.13'47,p54).

Here's what this means just in windows: To suit the whims of individual architects and builders, the company used to make and stock hundreds of window sizes and styles; now it is mass-producing and stocking just 18 sizes and six styles.

Uses Honey to Attract Taxpayers

The public usually thinks of the tax collector as a ravenous beast who comes out of his cave every few minutes to eat his victims alive. Clark Squire, Collector of Internal Revenue for Washington State and Alaska, figured that he would have to make people realize that he is really human. Congressional economy had cut his staff in Tacoma—meaning that during the March peak, the workers he had left would be buried under the pile of incoming returns. In view of his breed's reputation, how could he get people to send in their returns early?

Squire decided that he would have to put his big stick on the shelf and take down a jar of honey. Late in December he sent a form letter to 49,678 employers, addressed them as "My dear 'associate collectors' of withholding tax." He told them they could cooperate by giving employees their statements of withholding tax early. But he touched the businessmen most with his sympathy: "I am aware that most of you are burdened with your own problems" of taxes and inventories.

When first refunds went out in mid-January, on 1947 returns filed early, Squire wrote to 82 individuals a personal letter of congratulation on being among the first to get income tax refund checks. The collector also tipped



Collector Clark Squire

off city editors—but without divulging names of taxpayers. Local news stories followed almost immediately.

Last week the collector was working with major retail stores and space salesmen of newspapers to include in local advertising an appeal to file income tax returns early.



Quality Hand-Operated Starters

FOR MOTORS UP TO 7½ HORSEPOWER



The switch cannot be held closed during a sustained overload on the motor.

This Allen-Bradley hand-operated starting switch looks a lot like a push-button magnetic starter. It has ON and OFF push buttons . . . dependable overload breakers . . . and silver alloy, double break contacts. But, of course, it cannot be operated by remote control . . . nor does it have no-voltage protection.

But for installations that can use a hand-operated starting switch, this Bulletin 609 motor starter is the most popular . . . the most trouble-free switch on the market. Let us send you Bulletin 609.

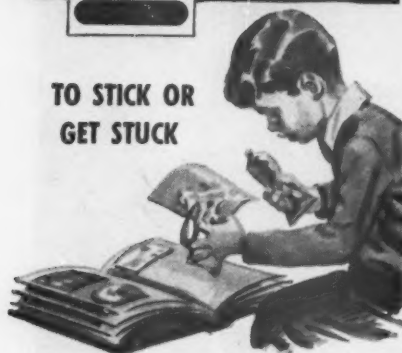
Allen-Bradley Company

1332 S. Second St., Milwaukee 4, Wis.

ALLEN-BRADLEY
SOLENOID MOTOR CONTROL



**TO STICK OR
GET STUCK**



We all learned early in life that "stickum" has no respect for persons or places. Fly-paper, in spite of its name, would just as soon entangle the fingers of a president as the feet of a fly. Glue would as soon stick to the boy as to the pages of the book.

Frequently we find that it is just as important to prevent sticking as it is to make things stick. Thousands of dollars are spent every day for adhesives. Thousands of dollars are lost every day because of unwanted adhesion. Dow Corning Silicones possess unique properties that have proved valuable in helping industry prevent unwanted adhesion. A remarkably varied assortment of things will not stick to a silicone surface.

For example, DC Mold Release Emulsion No. 35 wets and adheres to metal, forming a heat stable parting surface that keeps rubber and other plastic materials from sticking to the molds. Used in small quantities, it gives clean and easy release of tires and other rubber products. It also reduces the number of rejects and the cost of mold cleaning. DC Mold Release Fluid is equally valuable to molders of plastic products.

In the field of low pressure laminating, DC 7 Silicone Compound prevents resin-bonded laminates from sticking to the rubber bags used in this process. And heat-sealing thermoplastics don't stick to Silastic[®], so the use of Silastic for pressure pads in sealing machines is growing.

In the baking industry, DC Pan Glaze is preventing unwanted adhesion to the tune of a saving estimated at hundreds of thousands of dollars a year. It eliminates the need for greasing pans before each baking—saves the cost of the pan grease and the labor required to apply it—cuts the cost of keeping bakeries clean and sanitary.

And the prevention of unwanted adhesion is only one of the many useful properties of DC Silicone Products. Others include water repellency, retention of properties over a very wide temperature range, and good electrical characteristics. For further information telephone the branch office nearest you, or write for Catalog G-1-7.

*TRADEMARK FOR DOW CORNING SILICONE RUBBER

**DOW CORNING CORPORATION
MIDLAND, MICHIGAN**

New York • Chicago • Cleveland • Los Angeles
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Aviation RFC?

Proposed corporation would buy planes from manufacturers, lease them to airlines, thus helping both industries.

Government aid is being sought to tide the aircraft manufacturers over the present dearth of commercial business. The Glenn L. Martin Co. has proposed that a government-financed corporation be set up; its job would be to buy planes from the manufacturers and lease them to airlines that don't have the purchase price.

• **Advocate**—Only Martin has so far taken a stand on the subject. But the government's Air Coordinating Committee, to which Martin submitted a plan, is circulating it for comment. The Aircraft Industries Assn., trade group of the manufacturers, is studying and advancing the proposal in principle.

The Air Transport Assn. voted down one of Martin's plans. But it seems disposed to go along with the basic idea. A.T.A. could not prevent its individual members from doing business with the proposed leasing corporation if it wanted to.

• **Bad Shape**—The corporation would be one of several rungs in a hoped-for ladder out of the postwar aviation slump. The aircraft industry is in bad trouble; so are its two main customers:

(1) Military buying is down to less than 2,000 planes a year.

(2) The 16 airlines—because of high costs, obsolete airplanes, poor service, some bad management, and worse luck in 1947—ran up a \$10-million deficit.

So, the aircraft builders, even with tax carrybacks, are near disaster—with a few exceptions. Right now the government is their only possible savior—with orders, subsidies, or loans.

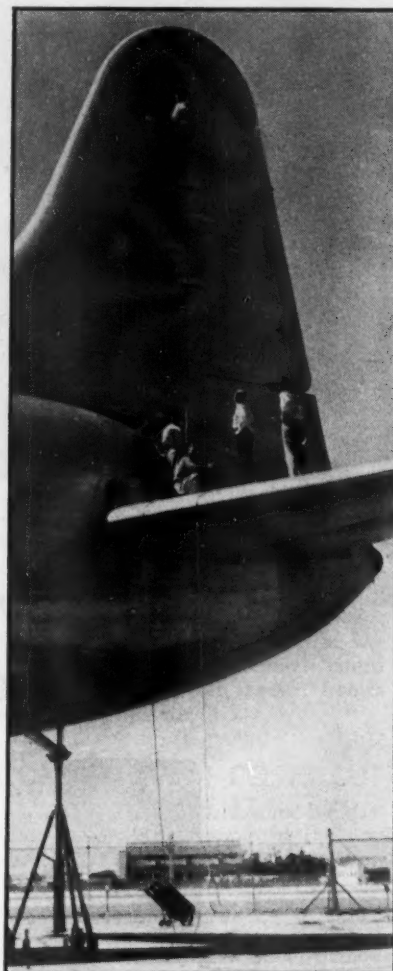
• **Inefficient**—One reason for large losses of nearly all airlines in 1946-47 is use of comparatively inefficient prewar equipment. Ralph S. Damon, president of American Airlines, recently said: "If we were operating only DC-3s today we would be an insolvent industry."

Martin says that a fleet of 12 of his twin-engined 2-0-2s will give about the same number of seat miles per year as 26 DC-3s—and at \$3-million less cost. No criticism of the DC-3 is implied; it's simply a matter of new design.

• **Basic Problem**—So the situation is this: The airlines need new, up-to-date planes if they are ever to get out of the red. But they can't buy them. They haven't the cash to plank down full payment. The plane builders can't afford to sell on time. And banks and insurance companies don't find most airlines sound enough to justify loans.

That is the impasse that the aircraft-leasing corporation is designed to get around. It would help both plane manufacturers and airlines by using government funds to crack the credit bottleneck.

• **Plan**—One of the plans advanced by Martin calls for 80% financing of the proposed corporation by RFC, the rest by private investors. The corporation would purchase airplanes of the operators' choice and lease them at a monthly rate. This rental would amortize the cost, down to a residual value of perhaps 10%, at the end of five years. The lessee would hold an option to buy any



LOFTY FIN

It takes a steeplejack's block-and-tackle to get a man up to the top of this 57-ft.-high tail fin on the U. S. Air Force's new XC-99 transport. Consolidated-Vultee engineers, who built the plane, foresaw the difficulties of getting up to the fin for inspection, had a pulley built right into it. An inspector swung from a bosun's chair now can look the assembly over in short order. The six-engined, 133-ton craft is the world's biggest landplane.



■ Seal up a stream of electrons in a vacuum tube...and you have a space-defying genie that vitalizes industry...and can save countless lives!

■ As far back as 1930 the Sperry Gyroscope Company put electronics to work...introducing electronic control for the Sperry Gyro-Compass.

■ From then on electronics was employed whenever it could extend the usefulness and performance of Sperry products—as in automatic pilots, gun fire control devices, navigation instruments, both aeronautical and marine.

And in 1939, came the Klystron, “heart-beat” of Radar.

■ In war, Radar tracked out enemy plane, sub and ship positions, saving numberless lives by advance warning of hostile attack. And today, in peace, Radar brings new safety to mankind...plotting aerial and marine operations with pin-point accuracy, through pea-

soup weather and over vast distances.

■ Sperry pioneered in helping develop these and many other services for mankind. But “pioneering” isn’t enough. And that’s why Sperry research and practical applications of electronics go endlessly on...in that search for something better which we call *product improvement*.



SPERRY GYROSCOPE COMPANY

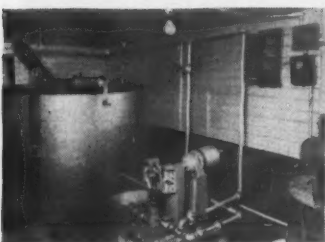
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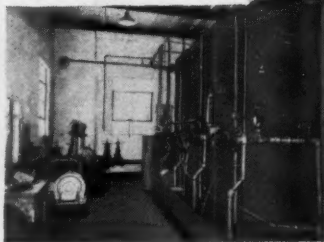
Railroad Executives

HAVE A NEW INTEREST

IN THE COST OF WATER . . .



Dearborn wayside treatment station supplying scientifically treated water for steam locomotives.



Four bed De-Ionizing system installed at a terminal to produce high purity water for Diesels.

As Diesel fleets grow, water costs take on new importance. Diesels cannot thrive on raw water. It's traditional that *steam* locomotives, feeding on Dearborn scientifically treated water, stay scale free and are capable of round-the-clock service over long periods. Savings effected by this Dearborn service show up in sizable figures on operating statements.

Now, executives ask . . . "Can costly Diesels stay trouble-free with equal ease and economy?" The answer is "yes." New Dearborn De-Ionizing equipment produces the high purity water Diesels require. Cooling systems and steam generators are kept scale free and Diesels are quickly serviced with this high purity water at refueling terminals. As De-Ionizing costs are lower than distillation . . . dollars saved pay for equipment in a mighty short time.



Dearborn

TRADE MARK REGISTERED

Engineering Service in Rust Prevention,
and Water Treatment for boilers and locomotives.

DEARBORN CHEMICAL COMPANY

Laboratories and General Offices

310 S. Michigan Ave., Chicago 4, Illinois

Engineering sales offices in principal
cities around the world

or all airplanes at any time, at a fixed price less paid-in rentals.

On a plane priced at \$325,000 the monthly rental would be \$7,000 to \$8,000, covering both return on investment and amortization. The exact rate would depend on period of amortization, rate of interest on RFC loan, and a higher rate on the private loan, which would be speculative.

• **Bankruptcy Problem**—The President's Air Policy Commission in its recent report (BW-Jan. 24 '48, p. 28) suggests that the airlines, like the railroads, might get new equipment through sale of equipment trust certificates—and names obstacles that would have to be cleared away first. Chief among these obstacles: Under present bankruptcy law the holders of nonrailroad equipment trust receipts, which are equivalent to mortgages, could not get immediate repossession of the equipment in case of reorganization.

But Martin and A.I.A. believe their plan gets around this trouble without amendment of the bankruptcy law. They say the proposed corporation could be set up so that planes leased to an airline that failed would not be subject to jurisdiction of a bankruptcy court, and so that lease terms could not be revised downward in the reorganization proceeding.

• **Liability Problem**—The corporation would be liable for damage (to persons and property) that was caused by its airplanes on lease. So A.I.A. has proposed an amendment to civil air law; it would provide that no corporation or person having security interests in airline equipment shall be held liable unless they have authority over the aircraft involved.

But in addition, the Uniform Aeronautics Act, effective in 21 states, makes aircraft owners, whether or not negligent, liable for damage to persons and property. It would not be easy to amend this law in more than a few states. Sponsors of the Martin plan say, however, that the corporation's liability can be covered by insurance.

• **Reaction**—So far, no airline has publicly approved or disapproved the plan. But it is assumed that the operators will take the best means available to obtain new equipment.

One objection that has been voiced to Martin's plan: It would let the government get its foot into the airlines' door. From one industry man, this brought the comment: "The government is already inside, and in bed."

• **Alternative**—A countersuggestion has been made that the airlines borrow directly from RFC to finance plane purchases. To this, Martin replies:

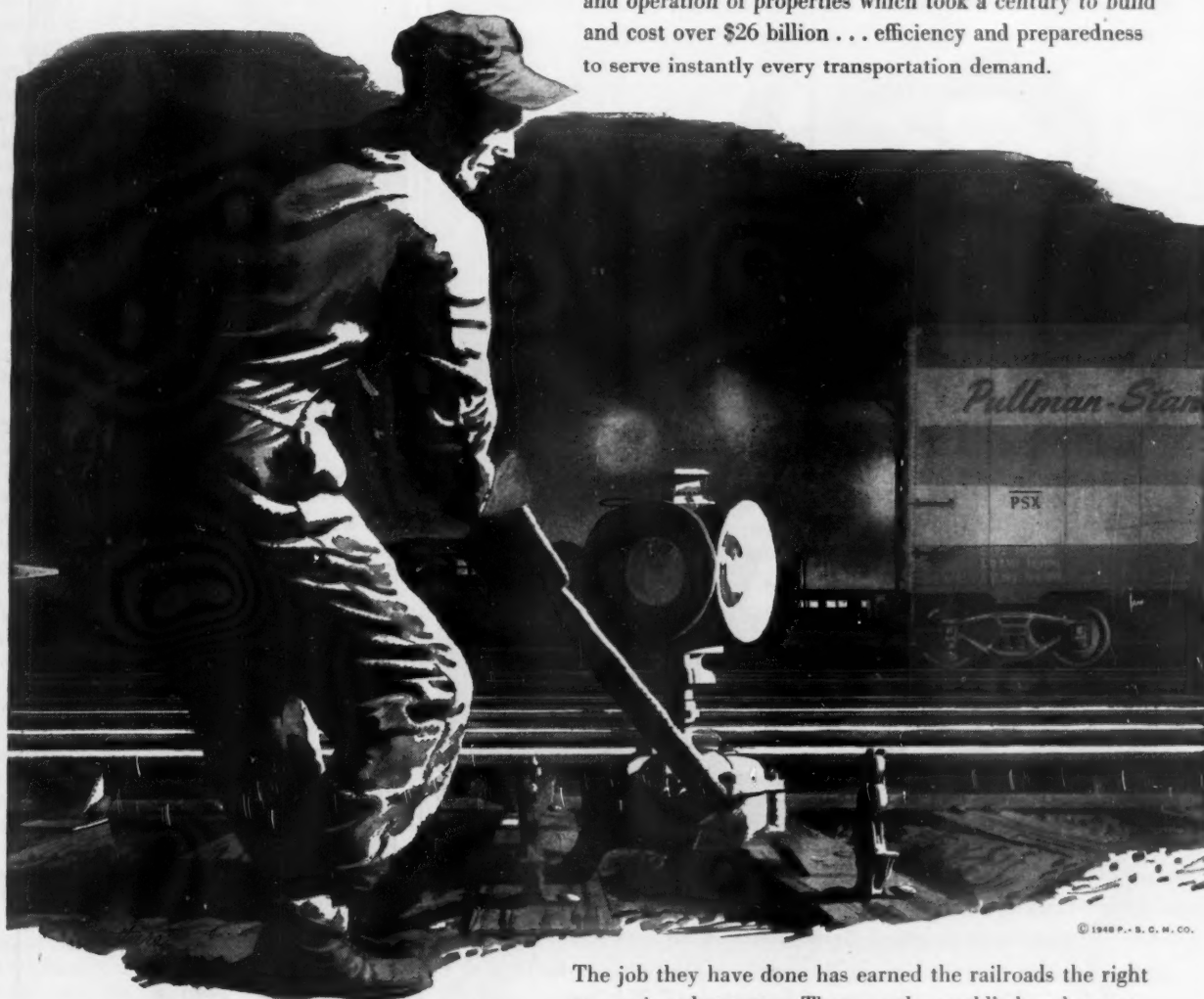
(1) Some airlines are already mortgaged and not able to borrow more.

(2) Purchasing in volume by the corporation, through pooling agree-

while America sleeps...

While you sleep, the busy traffic of a great nation rolls safely, smoothly, through the railyards that serve American railroads. Keeping ahead of your transportation needs is a round-the-clock struggle—a challenge the railroads have never failed to meet. Their achievement is a signal tribute to the superiority of free enterprise over any form of socialized control. Every American must be vigilant to keep them free.

The business of the railroads is hauling billions of tons of freight . . . carrying millions of passengers on safe, reliable schedules in all kinds of weather . . . the upkeep and operation of properties which took a century to build and cost over \$26 billion . . . efficiency and preparedness to serve instantly every transportation demand.



Pullman-Standard serves the railroads by building much of their freight and passenger equipment . . . deluxe streamliners, preferred by travelers, and dependable freight cars which shippers can rely on. Pullman-Standard's latest type box car—P-S-1—is another stride forward. It supplies the need for a standardized car capable of mass production to produce economies and more rapid deliveries.

**PULLMAN-STANDARD
CAR MANUFACTURING COMPANY • CHICAGO**

*Offices in six cities from coast to coast
Manufacturing plants at six strategic points*

The job they have done has earned the railroads the right to continued progress. They are the world's best because *competition has forced them to excel to survive*; because private ownership demands efficient management and rewards ability. Insist on a national transportation policy which will give the railroads fair operating conditions, fair earnings, and a fair chance to contribute more and more to your individual welfare and to the prosperity of all.

WORLD'S LARGEST BUILDERS OF STREAMLINED RAILROAD CARS

Pullman-Standard

HAMMERMILL Cockletone Bond

*The finest letterhead paper ever
produced by Hammermill craftsmen*



More and more of America's business men are finding in this handsome new paper—Cockletone Bond—the quality, the “heavier feel,” the crisp crackle and snap to lend added distinction to their business messages.

It has become today a link in their daily activities because it says unmistakably, “This is a message of importance.” We invite you to examine for yourself this new accomplishment of modern papermaking ... then consider appointing it *your* business representative. (Its moderate cost may surprise you.) Just send for a sample book.



SEND FOR THIS FREE SAMPLE BOOK...

Contains samples of Cockletone Bond in all weights for letterhead use. Also matching envelopes. Please write on your business letterhead to Hammermill Paper Co., Dept. B-131, 1455 East Lake Rd., Erie, Pa.



LOOK FOR THE COCKLETONE WATERMARK

ments and increased standardization, would reduce costs. In flush times operators want custom-finished equipment; now they're not so choosy.

(3) For those who fear government infiltration, it's better to rent from RFC than to borrow.

(4) Some airline balance sheets look bad; they could be improved by eliminating new-equipment liabilities in favor of leasing.



TWO FOR THE SHOW

East is East and West is West but the twain meet on the same level when the subject is publicity. The lady outlined with cutlery is Hollywood starlet Adele Mara. She's calling attention to a War Assets Administration sale of hunting knives and miscellany. The silk-draped damsel is Mitsuko Sanura, Tokyo dancer. She serves to remind the world that Japanese printed silk is back again for export.



Luxury Car Sag

The market for top-price makes shows signs of nearing saturation. Dealers find that they don't sell so easily.

A general price slump—possibly seasonal—in all recent-model used cars was reported last week at a meeting of the Michigan Used Car Dealer Assn. The price sag was particularly apparent on higher-priced makes.

This, plus other factors, has about convinced passenger-car makers that the bubble in luxury cars has been pricked. It is far from deflated, but Detroit is beginning to realize that the bubble has lost its taut-blown beauty.

• **Luxury Makes**—Four makes of cars reach into the highest price brackets—Cadillac, Lincoln, Packard, and Chrysler. Of these, only Cadillac seems to be holding sustained demand. The others—although none believes its own situation is significant—are finding that the day of unqualified demand for top-price lines has passed.

The sales manager of one of these companies analyzed the situation. His findings seem to be echoed throughout the field. He pointed out that from the time auto production resumed after the war, shipments in all sizes and price groups were made on a fairly uniform basis to all dealers. These shipments sold out as soon as they reached dealers; demand was for cars of any price group.

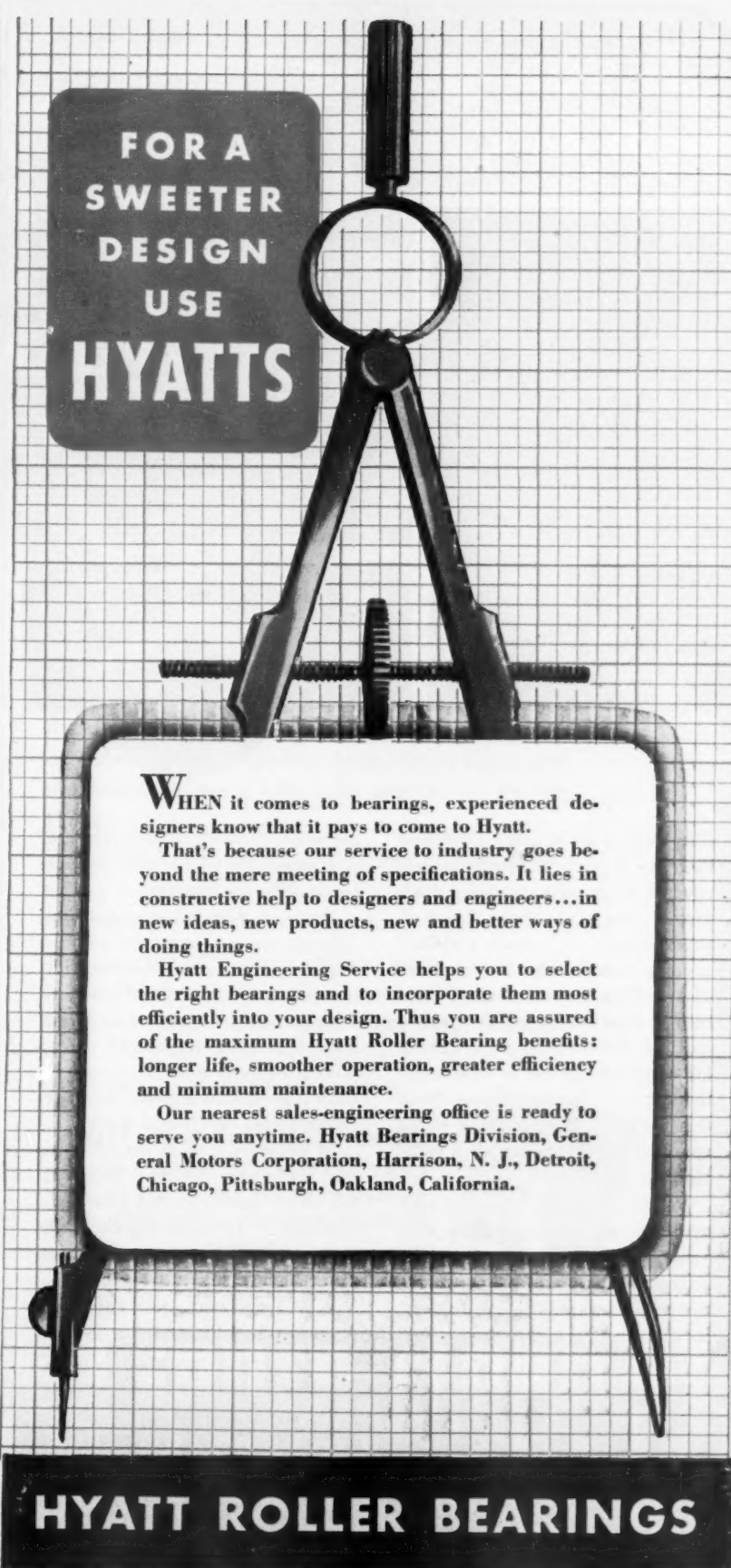
But he paints a different picture now: "We find that when our most expensive cars go to dealers in smaller cities and towns, the dealer has to hunt customers. A top-price car may lie around for a week or two before it sells."

• **Want Quotas Cut**—So, many dealers have asked that their consignments of luxury cars be cut, that they be given more of the lower-priced cars of the same nameplate. The company countered by offering to stop shipments of the top models and reduce the over-all dealer quota by that small amount.

The dealers all refused that deal. As the sales manager figured it: "They apparently would rather have the harder-to-sell cars than none at all."

• **Market Saturated?**—The slump in demand for luxury leaders was first noted early last fall. There has been no notable new slackening since then, but neither has there been any sign that the trend is temporary.

Actually, the market for luxury models always has been extremely limited. Prices on 5 of 11 Cadillac models are more than \$4,000; the same holds true on 2 of 7 Lincolns, 1 of 25 Chryslers, and 3 of 13 Packards. All together,



FOR A
SWEETER
DESIGN
USE
HYATTS

WHEN it comes to bearings, experienced designers know that it pays to come to Hyatt.

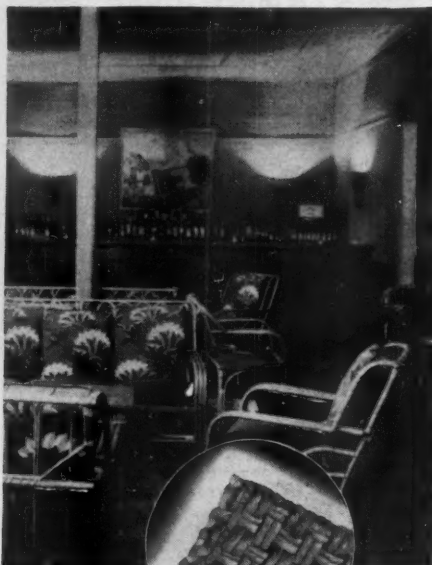
That's because our service to industry goes beyond the mere meeting of specifications. It lies in constructive help to designers and engineers...in new ideas, new products, new and better ways of doing things.

Hyatt Engineering Service helps you to select the right bearings and to incorporate them most efficiently into your design. Thus you are assured of the maximum Hyatt Roller Bearing benefits: longer life, smoother operation, greater efficiency and minimum maintenance.

Our nearest sales-engineering office is ready to serve you anytime. Hyatt Bearings Division, General Motors Corporation, Harrison, N. J., Detroit, Chicago, Pittsburgh, Oakland, California.

HYATT ROLLER BEARINGS

A sea-going fabric lands on a yacht-club ceiling!



Photos courtesy of Coral Beach Club, West Palm Beach, Florida.

The Story of a Versatile Twitchell Fabric • A boat manufacturer discovered many years ago that LOOMTEX . . . one of the many Twitchell paper fabrics . . . made excellent sound insulation for the interiors of his cabin cruisers. Soon Florida boat-owners who liked the tweedy look of the material were buying LOOMTEX by the roll as wall-covering for their beach cabanas. Next this versatile, good-looking fabric appeared on the ceiling of a yacht club dining room.

Versatile Twitchell fabrics, such as LOOMTEX, are used in a wide variety of ways . . . in loud-speaker screens for RCA table radios, in tops of card tables, in window-displays, in cafe and store partitions. And

the words TEXTILENE SUNSURE* are your assurance of the best buy in automobile seat covers.

Twitchell fabrics come in many different textures and color combinations. They can be laminated with plastic sheets or coated with plastics. They're easy to apply and can be stapled on. They can be sized, waterproofed or fire-proofed. Their natural color is good-looking, and they take bright colors evenly and quickly.

In decorating or in manufacturing, the many different Twitchell fabrics and materials offer great possibilities. A Twitchell engineer will help write the specifications for the one that best suits your needs.

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* Reg. U. S. Pat. Off.

TWITCHELL

Paper Products for Industry

TWISTED
FOLDED
PRESSED
CRUSHED
SHAPE
BRAIDED
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these plus-\$4,000 jobs probably don't represent more than 1% of the total market. They are almost entirely sold in metropolitan areas.

• **How Long?**—There is no indication that the situation of the luxury auto market is trickling down into the upper-middle price classes. But car makers, noting the subtle change in the top brackets, are wondering how long it would take for signs of saturation to show up in the next-to-the-top cars—if prices took another big upturn.

Heat on Milk

Dairies of three big cities face fire as antitrusters weigh probe of pricing methods. Aim: quick consumer price benefits.

The Dept. of Justice is again taking a look to see if milk companies aren't taking too much cream out of the business. Grand juries in three cities—St. Louis, Chicago, and Washington, D. C.—are considering whether the Antitrust Division should hit milk distributors there with price-fixing suits. The big milk marketers have been a target for antitrusters ever since Thurman Arnold's boys a decade ago took a crack at the Chicago milk industry, came off with a consent decree (BW—Sep. 21 '40, p29).

• **Objective**—The new drive began last fall (BW—Sep. 13 '47, p6). It is part of the Administration's attempt to bring antitrust actions against close-to-the-consumer businesses—egg dealers in Boston, electrical contractors in Kansas City and Springfield, Mo. Antitrust's object is to put prices down in a hurry.

No indictments have been handed down against milk distributors so far in this campaign. And there's no evidence that the investigations themselves have pushed retail prices down.

• **Wide Price Range**—The wide range of current milk prices makes the milk investigation a natural, politically speaking. Latest Dept. of Agriculture figures (on single quarts delivered to homes) range from 17¢ in many cities in the Wisconsin-Minnesota dairy country, to 23½¢ in New York City and 24¢ in Birmingham and Mobile, Ala. Prices in the antitrusters' test cities are high—Chicago 22½¢, St. Louis 20½¢-21½¢, and Washington, 21¢.

The fight between the antitrusters and the milk distributors (if it ever gets into court) will spotlight an industry whose price and marketing practices are "exquisitely complicated," to quote a recent U. S. Circuit Court of Appeals decision.

• **Not How Much, But Why?**—Milk distributors point out that in about 30

LIVEABLE SANTA CLARA COUNTY!



WORKERS WHO GROW ROSES
ARE GOOD WORKERS!



Workers live in homes like this. Is it any wonder they take pride in their work.



A barbecue pit is a part of most homes. Healthful, wholesome living.



Happy youngsters grow up into healthy citizens in outdoor spots like this.

"Show me a man who takes pride in his lawn or gardens, and I'll show you a worker who takes pride in his work."

This remark, credited to an executive of one of the nation's largest manufacturing concerns, throws considerable light on why Santa Clara County is the fastest growing industrial area on the Pacific Coast.

People *live* in Santa Clara County! And this liveability expressed in plus production has attracted top names in American industry.

Sure . . . the location is ideal to serve the Pacific Coast. There are plenty of raw materials, fine transportation facilities, adequate power. But liveability . . . the goal of decentralization . . . is *the* factor that outstrips all other advantages.

WRITE FOR THIS FREE BOOK

It's called "LIVEABLE SANTA CLARA COUNTY". . . and it's worth reading. Free—write on your business letterhead.

DEPT. W

SAN JOSE CHAMBER OF COMMERCE
SAN JOSE 23, CALIFORNIA

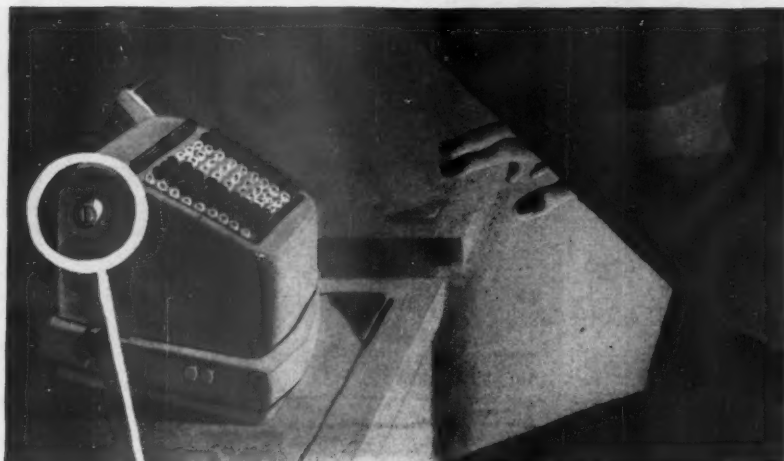


SANTA CLARA COUNTY

California

The population center of the Pacific Coast

In the dangerous hours—



LOCK your bank account!

GUARD AGAINST FRAUD WITH THE NEW LOCKED PROTECTOGRAPH MODEL 70

It's 9 p.m. Your office is deserted. Your checkwriter—the ordinary kind *without a lock*—is "wide open" to anyone... is particularly vulnerable after-hours. *Your bank account is in danger!*

But not when you have the Model 70 Protectograph—the *new* Todd checkwriter that gives you complete *locked* control of your funds... provides scientific, *insured* protection from losses by alteration, forgery or after-work embezzling.

This versatile new locked Protectograph writes checks of every design—single checks, voucher checks, checks in sheets, even pocket-size checks—and writes them *only* when *your* key is used. With this Todd checkwriter, you eliminate temptation to employees and whoever else can gain access to your office.

Add to this protection the non-cancellable insurance policy you receive *at no extra cost*. It covers every kind of check loss, even forgery of signature or endorsement.

Find out more about this successor to *ordinary* machines. Just fill in and mail the coupon below for complete details. No obligation, of course.



ROCHESTER SALES OFFICES IN
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DISTRIBUTORS THROUGHOUT THE WORLD

THE TODD COMPANY, Inc., Rochester 3, N. Y.

Please give me complete information about the new Model 70 Todd Protectograph.

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By _____

BW-1-31-48

areas the prices paid for milk are fixed by a federal administrator who is acting under the provisions that were instituted by the Federal Marketing Act of 1937.

Government men counter that the act sets minimum prices which the distributors must pay the farmers for raw milk. What they think is more interesting is this: In some towns, at least, retail milk prices have gone up when raw milk prices went up; but they haven't gone down when the price of raw milk went down.

However, the Antitrust Division's main concern isn't how much milk prices have gone up; what it has to do is prove collusion.

Just how long the Justice Dept.'s list of milk investigations will be, no one knows. Next, though, is Chattanooga, Tenn.

• **Other Suits**—The antitrusters in Washington are watching with fraternal interest two suits already launched by Texas Attorney-General Price Daniel. One is against two Austin milk distributors for alleged price-fixing through "suggested retail prices." The other is against five Dallas dairies for allegedly fixing or maintaining the price paid producers for raw milk. Dallas isn't one of the cities operating under the price plan permitted by the Federal Marketing Act.



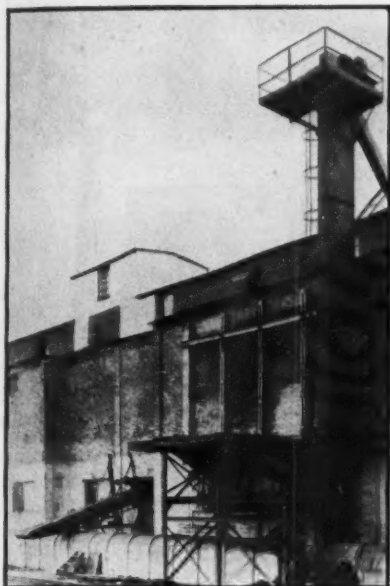
MOTORS MERRY-GO-ROUND

Adding the California touch to automobile merchandising, Henry J. Kaiser dreamed up this revolving display to help peddle his already well-publicized wares. Installed at the corner of Broadway and MacArthur Blvd. in Oakland, Calif., the showpiece uses floodlights to attract night passers-by. Turntables on two levels revolve in opposite directions. Dubbed the Kaiser Carrousel, the spinner show will be available to dealers around the country—if the idea works.

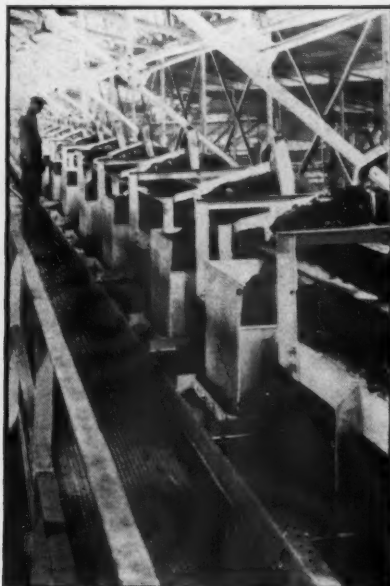
CAMERA VISITS INDUSTRY

A Foundry Goes Modern

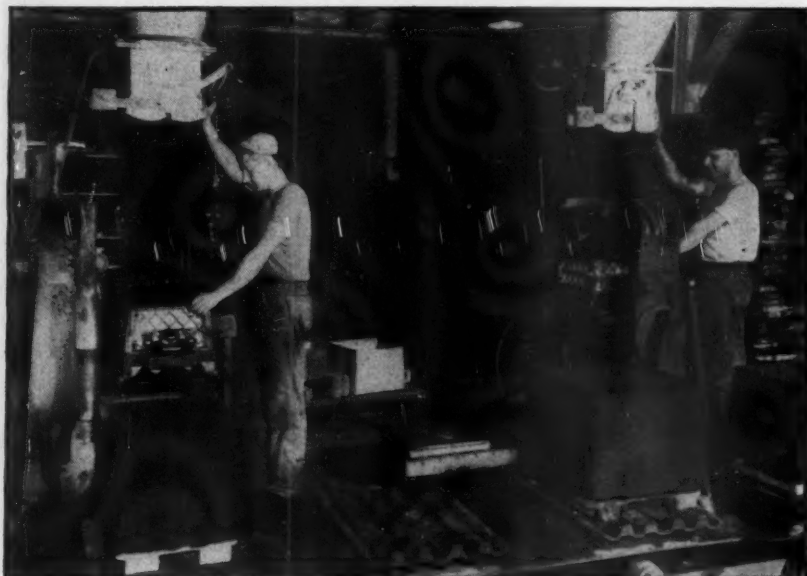
Fairbanks-Morse puts foundry on production-line basis, boosts output by cutting down heat, dirt, back-breaking work.



1 At F-M's Freeport (Ill.) works, sand and scrap, two basic materials in any foundry, are unloaded from freight cars onto conveyors. These carry materials up to bins in which they are stored until needed.



2 In storage bin, the sand is conditioned with water and binders. It is then picked up by these conveyor belts, from which overhead storage hoppers are filled. Below these stand . . .



3 Workmen who start the actual mold-making. They release valves, letting sand pour into a metal encasing form (flask), in which they place a wooden form of the casting. The molding machine squeezes the two halves of the flask together,

at the same time shaking it to pack the sand tightly. Workmen then open the two halves of the flask, and take the core out. Completed molds (in foreground) are set on a platform conveyor. They are now ready to be filled with . . .

Sloan *Electrically Operated* Flush Valve

AWARDED

M. E.* DEGREE



*Master of Economy

To replace an automatic flush tank which operates 24 hours per day with a Sloan Electrically Operated Flush Valve, set to operate only during business hours, will save as much as 100,000 gallons of water per year. Multiply this saving by the number of flush tanks you can modernize and you realize what Sloan economy can mean to you.

Add to this water saving, the cost of the steam power to pump it, the man power to control it, and the k.w.h. required to distribute it, and you have a total that makes Sloan Flush Valves just good business.

Particularly is this true when Sloan Flush Valves require such low maintenance. Some records show this cost to be as low as $\frac{1}{4}$ of 1-cent per valve per year. One reason why —more Sloan Flush Valves are sold than all other makes combined.



Sloan Valve Company

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UNSEEN SOURCE
OF COMFORT

MOVING
AIR

Makes
Oil Burners
Work

Ever stop to think what's back of the fire in an oil burner?

Air—and plenty of it—being forced under pressure by a blower wheel past a nozzle.

On this air supply depends the amount of heat developed, the fuel consumption rate, quietness of operation.

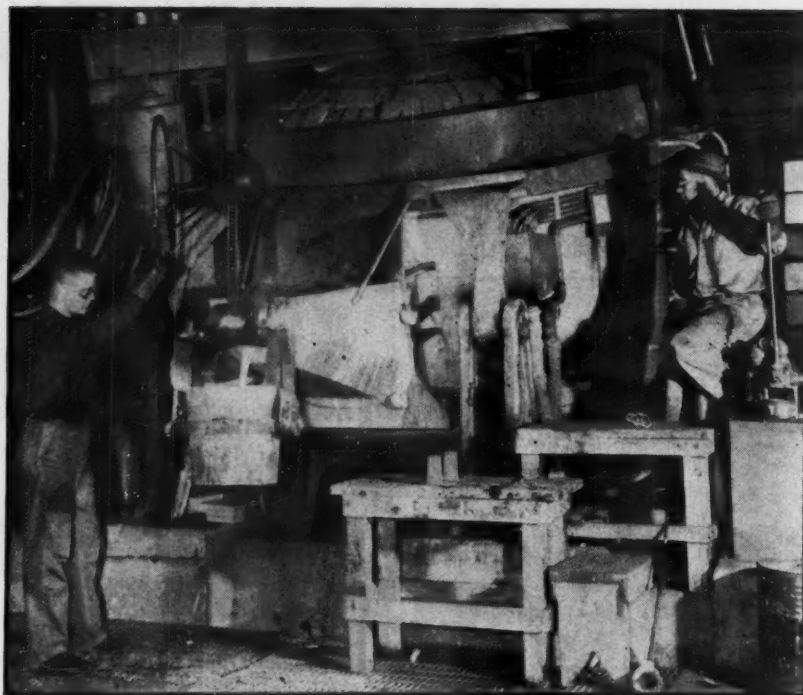
In oil burner use, Torrington Vairified Air Impellers have a remarkable record for increasing efficiency, decreasing noise.

Why? Because Vairified Air Impellers are precision made for moving air properly. Their design and engineering result from years of air impeller research in relation to the laws of aerodynamics.

Vairified Air Impellers are a recognizable standard of quality and performance in any type of heating, cooling or ventilating equipment. Whether you are a manufacturer, dealer, or purchaser of such equipment, you will benefit from their use. Sales Engineers in all principal cities.



THE
TORRINGTON
MANUFACTURING
COMPANY
TORRINGTON
CONNECTICUT



4 Molten iron, which has been melted in an electric furnace. The scrap (F-M uses inexpensive borings) is fed from its storage bin onto a conveyor belt, automatically weighed, then fed into the furnace.

The furnace has a 16,000-lb. capacity, puts out four tons of melted iron an hour. Here worker draws off molten iron from furnace into a ladle slung from an overhead mono-rail conveyor that leads to . . .



5 The pouring line. Workman who pours the iron stands on a platform which moves at the same speed as the mold conveyor; thus he doesn't have to walk while pouring.

By the time he has emptied the ladle,

he has gradually moved to the end of the platform, and is then ready for another load. Fork-shaped contraptions on top of the molds are weights to hold the top half of the mold down while pouring; these also ride on . . .

Whether a Few Gallons ---



← Century 3 horsepower repulsion start induction motor driving a deep well pump for swimming pool and home and farm water supply.

Century 200 horsepower squirrel cage motor driving a city water works pump, supplying 2,000,000 gallons per day. →

← Century 40 horsepower squirrel cage motor driving an irrigation pump.

Century 150 horsepower squirrel cage motor driving a water pump for an electric central station. →

Or Millions of Gallons Per Day

CENTURY MOTORS

Supply *Dependable Power*

Over a million Century motor driven pump installations in use is proof of Century's acceptance in the pumping field. These installations range in size from water systems for small cottages to city water systems pumping millions of gallons per day.

In addition to water pumps, Century motors supply power for milk, liquid food and beverage pumps, brine pumps, bilge pumps, pulp pumps, dye pumps, acid pumps, alkali pumps, oil well pumps, and gasoline pumps.

Century pump motors are particularly adapted to the requirements of pumping service. They start and run smoothly and quietly—and with a minimum of vibration. Century's triple insulation effectively resists humidity and dampness.

To meet the requirements of any surrounding atmosphere, Century motors are supplied with drip proof, splash proof, totally enclosed fan cooled or explosion proof frames.

Century builds a complete line of fractional and integral horsepower electric motors in the popular sizes to meet the requirements of industrial production, commercial and appliance needs.

Specify Century for all your electric power requirements.



CENTURY ELECTRIC CO., 1806 Pine Street, St. Louis 3, Mo.

Offices and Stock Points in Principal Cities

Sound "at work" pays dividends in labor relations



With an RCA Sound System you can talk to employees in all parts of your plant. Your voice heard over the sound system gives each employee the feeling that you are talking to him or her personally.

You can give employees the common-sense facts behind their jobs... keep them informed on company problems of mutual interest... achieve and maintain good employer-employee relations.

Employees who know and understand the company's policies and management objectives are more intelligent, more productive workers—their favorable attitude means more efficient production.

- **RCA Work Music** makes working conditions more enjoyable. It relieves the feeling of boredom, restlessness and fatigue. Some industrial plants have records of increased productivity as much as 6 to 14 per cent with RCA sound and music.

- **What kind of sound system is best for you?** There is no ready-made system that perfectly suits the needs of all plant layouts. RCA sound engineers will be glad to make a survey of your plant and map out a sound system program for you. No obligation of course.

For complete details contact your nearest RCA Sound System distributor or write: Sound Products Section, Dept. 16-A, RCA, Camden, New Jersey.



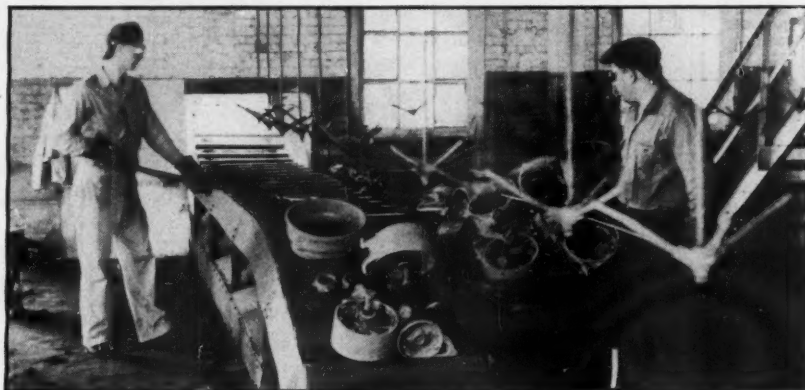
**SOUND SYSTEMS
RADIO CORPORATION
of AMERICA
CAMDEN, N. J.**

In Canada: RCA VICTOR Company, Limited, Montreal



6 An overhead monorail. Weights automatically swing down in place onto molds at pouring time, swing up afterwards. Molds loop around to jack-removing station, then move along a hooded runway outside

plant while the casting sets. At runway's end, a mechanical shakeout knocks sand mould off casting. Sand drops through a screen and is caught for re-use. Castings are discharged onto...



7 An apron conveyor, where workers trim off excess metal by hand. The workers then put the castings on an overhead conveyor, which carries them through

an annealing oven. After leaving the annealing oven, the castings as a last step are then sand-blasted and given their final finishing.

The Payoff: More Output, Less Labor

A simple comparison points up the reason that Fairbanks, Morse & Co. joined the ranks of foundrymen who are mechanizing their plants (BW-May 3 '47, p. 48): Years ago, before the company took over the Freeport foundry, an output of 20 tons of castings a day with a crew of 150 men was considered a good production rate. Now a crew of 56 men is able to pour the same amount of metal in one eight-hour shift. F-M officials have another comparison too: In normal operations a foundry will produce 800 lb. of castings daily for each mold; with its mechanized plant, Freeport is turning out close to two tons per mold daily.

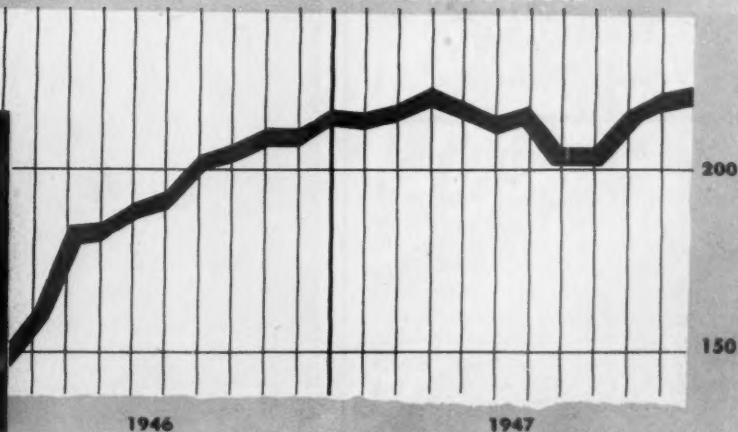
Freeport is laid out so that the shop

is well adapted to making simple, high-run types of castings. F-M has plenty of room to expand; only about half of the foundry's available space is now in use. The spare room may well be turned over to the production of complicated heavier castings—which cannot be easily handled on conveyors.

The Freeport plant, as a mechanized foundry, has only been in operation a few months. As working experience is built up, F-M officials are looking for an even greater increase in output. They believe that the present layout will permit a production rate of around 40 tons of castings per day with the employment of a working force of only 60 men.

Announcing

THE American Machinist INDEX OF METALWORKING PRODUCTION



It gives you . . . for the first time . . . an accurate, comprehensive, sensitive picture of where America's biggest industry stands today . . . a sharp focus on tomorrow's trends

We would like to have given you this index sooner: the industry which produces over one-third of America's products, largely determines the level of our economic prosperity, needs the kind of help the *American Machinist* Metalworking Production Index provides. But it has taken us over a year to determine how the accuracy and general usefulness of such an index could best be assured.

As now presented, this index represents the combined work of the *American Machinist* editorial staff and of the McGraw-Hill Department of Economics. It reflects a year's intensive study of every feasible method of gauging Metalworking's overall production activity. Its result is an index which is based on the *one yardstick* (monthly physical volume of output) which (1) provides a complete and current picture of metalworking production (2) is susceptible to a minimum margin of error (3) will sensitively reflect probable future trends in metalworking production.

This index is designed to help you in your business planning. You will want to put it to work right now . . . and every month this year. As a matter of fact, there's a wealth of help for you in every page of this No. 1 magazine of the metalworking industry. You will find it on the desks of more metalworking production executives than read any other metalworking publication. These production and management men turn to *American Machinist* every other Thursday for publishing's most comprehensive coverage of the ways to more efficient and profitable metalworking production.

This will be a big year in America's biggest industry. It's a year in which . . . for the first time . . . you can keep abreast of what's happening in Metalworking as it happens. It's a year in which you ought to make sure *American Machinist* reaches your desk regularly. And a letter to us today will bring you, with our compliments, the first *American Machinist* Metalworking Index, published January 29, including a graphic presentation of the past thirteen years' metalworking production record.

QUICK FACTS ON THE AMERICAN MACHINIST INDEX OF METALWORKING PRODUCTION

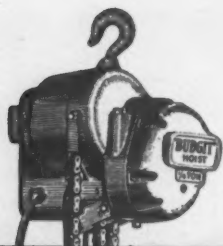
1. This index appears for the first time in the January 29th Annual Review Number of *American Machinist*. To make it of maximum usefulness to you, figures are presented in the January 29th issue for every year since 1935. With a detailed explanation of how it is assembled, the January 29th index is available in reprint form at no cost. A request on your business letterhead will bring your copy promptly. Write for it now. This 13-year record of metalworking production will measurably increase the value to you of each month's new index figures.
2. You will find a new index of the previous month's metalworking production in the last issue of *American Machinist* to be published each month (*American Machinist* is published every other Thursday).
3. This index will give you each month a comprehensive picture of production in 42 major metalworking industry classifications, grouped under these five major divisions: Machinery, Automobiles, Electrical, Transportation Equipment, All Other Metalworking.
4. Analysis over a thirteen-year period of the statistics on which this index is based indicates that they are not only extremely accurate, but so sensitive to future trends that they permit reasonably accurate prediction of metalworking production at least a month in advance. The monthly statistics used for compiling this index have during this period shown a maximum error not exceeding $\frac{1}{4}$ of 1% per month.

American Machinist

McGRAW-HILL
BUILDING,
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METALWORKING MANAGEMENT NEEDS
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Builders of 'Show-Box' Cranes, 'Budgit' and 'Load Lifter' Hoists and other lifting specialties. Makers of Ashcroft Gauges, Hancock Valves, Consolidated Safety and Relief Valves and 'American' Industrial Instruments.

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THE MODERN PENCIL
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MARKETING



THE BENDIX by Bendix Home Appliances



THE LAUDROMAT by Westinghouse

Washer Boom

Washing machine makers bringing out automatics to compete with Bendix in biggest market in history.

At war's end, washing machine manufacturers stepped into the lushest market they had ever known. First they had the demand built up during the war. On top of that were millions of new families with millions of new babies, millions of new dollars—and nowhere near enough domestic help to fill the need.

• **Bendix's Prosperity**—For the entire home washer industry, this spelled cash in capital letters. For Bendix Home Appliances, Inc., it spelled even more. Reason: Bendix had an almost exclusive grip on the automatic washing machine, glamour postwar appliance. Bendix had come out with the first automatic washer in 1937. Other manufacturers were slow to follow; they barely had their plans under way to put out competitive machines when the war stopped them. Since then, they have bogged down under materials shortages and production delays.

But last week it looked as though Bendix's field day was finally over. Competition is on the way; at least 12 more companies are ready to come out with new models to challenge Bendix's position. Whether they make a real dent in the demand this year depends largely on how much steel they are able to wangle.

• **First Followers**—First in the postwar market after Bendix were Westinghouse, with the Laundromat, and F. L. Jacobs Co., with the Launderall. Westinghouse brought out the Laundromat



THE LAUNDERALL by F. L. Jacobs

briefly in 1941, after five years of testing, then had to halt production early in 1942. F. L. Jacobs introduced the Launderall in July, 1946.

Others now on the market with automatics: General Electric; Frigidaire; Sears, Roebuck, with its private brand, Kenmore; Blackstone Corp.; Gamble-Skogmo, with the Coronado; and Thor, with two models (one of them, the Automagic is convertible to a dish-washer).

• **Others to Come**—In production with models that will hit the market this quarter are: Altorfer Bros. with the ABC-O-Matic to complement its ABC conventional washer line; Apex Electrical Mfg. Co., with an Apex Automatic; Norge Division of Borg-Warner Corp.; Hotpoint, Inc., G. E.'s Chicago affiliate; Nineteen Hundred Corp., makers of Sears' Kenmore washers, with its own Whirlomatic brand.

Two other companies have automatics in the blueprint stage but no production dates are set. They are: Landers, Frary & Clark, maker of Uni-

versal appliances; and Barlow & Selig, manufacturer of Speed Queen washers. The Maytag Co., and other big manufacturers, indicate that they will supply the still big demand for their conventional model washers before bringing out automatics.

• **Sales Boom**—Bendix has sold a total of about 1,250,000 automatic washers in the past 10 years—nearly half of them in 1947.

Since its introduction in 1941, Westinghouse has produced approximately 150,000 Laundromats.

Jacobs' Launderall sales since July, 1946, total around 140,000.

Because of limited production, Frigidaire, Sears, Roebuck, Blackstone, and General Electric have so far aimed their output at key metropolitan distributors or areas. All are now hoping to be able to expand to full national distribution this year.

• **1947 Production**—Production of all types of washers in 1947 totaled 3.5-million units, almost double the best prewar annual output of 2-million washers. If enough steel can be found, this year's output should equal 1947's. Automatics would account for about one-third of the total, or close to 1.2-million. Of these, Bendix expects to produce 600,000. Demand for automatic washers still runs far ahead of output, but the industry puts the day when automatic sales equal or exceed the sales of the conventional washers still far in the future. Trade guesses of the automatic's share of the washer market now run from 25% to 50%. Most manufacturers predict that automatics will take 30%-35% of total washer sales during the next few years.

• **Price Factor**—Price is the biggest limitation on automatic washer sales. Present retail prices range from \$229.50 for Sears' Kenmore to \$349.50 for a General Electric or Hotpoint Automatic. The Westinghouse Laundromat and Jacobs' Launderall sell for \$299.95. Price of the Bendix deluxe model is \$259.50; the standard model is \$239.50. Prices of other new automatics will be marked within the \$229.50-\$349.50 price range.

By contrast, the lowest-priced conventional washer today sells for \$99.50, while one with a price tag of \$129.50 is the most popular. So washer manufacturers are convinced that just price advantage will continue to give the lion's share of the washer market to conventional machines. Few in the know foresee any narrowing of the price differential in the near future. Even if costs on the automatic can be lowered, they believe, conventional washer prices will go down too.

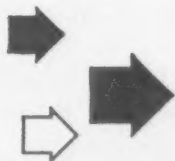
• **Newer Models**—Merits of the various washing principles used in automatic washer design are still subject of hot debate in the industry. Manufacturers



Every step in handling—from your production line by truck, train, ship, or plane to the retailer and consumer is a challenge to the container that protects your product.

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PICTURED above is one of three electrolytic tin mills operating around the clock at the Irvin Works of the Carnegie-Illinois Steel Corporation. And, from the inception of this process Osborn Brushes have performed a vital function in the continuous production of quality tinplate.

Located at the point in the line indicated by the arrows are two Osborn Master Tampico Spiral Brushes between which the strip passes after emerging from a sulphuric acid bath. Purpose of bath is to remove annealing scale and soften any grease or dirt adhering to the surface. The brushes' task, with the aid of a 180° hot water spray, is the final removal of the grease and dirt particles.

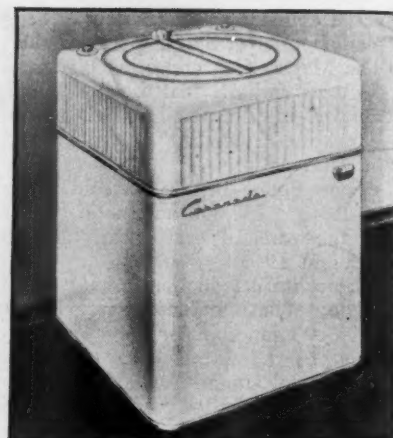
It's an all-important brushing job because failure to remove particles results in a porous coating. And comprehensive tests have shown that Osborn Brushes not only perform this work more effectively but reduce down time because of their one-third longer service life.

Have you a cleaning, polishing, roughing, finishing or deburring job that poses a production problem? The right brush, properly applied may be the answer. And you can find out quickly. Just ask for the services of an Osborn sales engineer. His business is to find where brushes can fit into your business profitably.

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WORLD'S LARGEST MANUFACTURER OF BRUSHES FOR INDUSTRY



THE CORONADO by Gamble-Skogmo



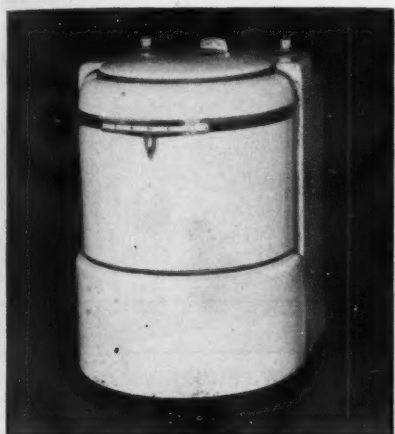
THE GENERAL ELECTRIC by G.E.

of newer models believe that their designs overcome common criticisms of the rotating, inclined-cylinder that is being used by Bendix, Westinghouse, and Jacobs. The new machines have an upright tub, with top loading instead of side loading.

Instead of the rotating cylinder, they use variations of the agitator principle common to conventional washers. To drain out the water, they use overflow devices at the top of the tub. In the inclined-cylinder machines, the clothes are lifted to the back of the machine, above the water line, while the water drains from the bottom.

• **Boltless Automatics**—Many people who live in rented homes dislike the permanent installation of the automatic, with bolting down and special plumbing connections. So all automatics except the Bendix, the Lauderall, and Sears' Kenmore now need not be bolted down. They can be attached by flexible hose to regular hot and cold water faucets, and to the drain.

The reason for bolting down is that after the clothes are rinsed, the tub spins fast to get the water out of them. This sets up a vibration which the movable



THE KENMORE by Sears, Roebuck



THE FRIGIDAIRE by Frigidaire



THE THOR by Thor

models overcome by balancing mechanisms, making the bolting down unnecessary.

Both Sears and Bendix are rumored to have plans to bring out a portable model some time this year. Portable automatic washers could be sold, manufacturers figure, to city apartment dwellers.

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☐ Send free copy of booklet No. 544 ☐ Have representative call

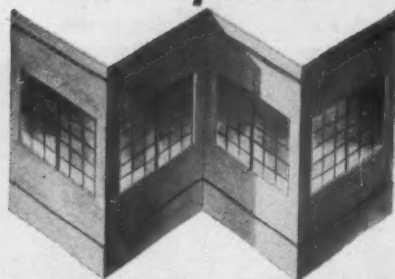
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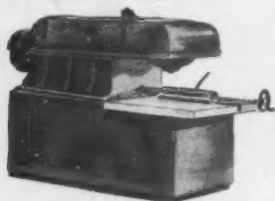
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EQUIPMENT by EQUIPMENT



PRODUCT by PRODUCT



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A Sherwin-Williams sales engineer is always ready to discuss your requirements for paints and other finishes—for plant and product. The Sherwin-Williams Co., Industrial Division, Cleveland, 1, Ohio. (Export Division, Newark, N. J.)



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Radios: Oversold?

Banner 1947 may mean much smaller 1948 market. Makers look to new low-priced sets, video, to keep up sales.

Makers of radio and television sets are wearing a two-way look these days. When they look back at their 1947 record, they are all smiles. When they look ahead into 1948, their expression is one of cautious reserve.

The smiles are easy to explain—radio and television set manufacturers broke a lot of production records in 1947. That was clear last week from figures issued by the Radio Manufacturers Assn. Of the whopping 17,695,677 units produced, 1,175,104 were combination AM-FM sets, and 178,571 were television receivers. The remaining 16,345,002 were standard AM receivers—table models, consoles, portables, car radios.

• **Too Successful?**—But jubilant as they are, manufacturers have one worry: Has 1947 output, coming on top of a 15-million unit 1946, saturated the market? The recent debut of less expensive models and rumors of other new low-cost sets seem to indicate that it has.

Although outwardly calm, the radio makers are looking anxiously for a way to peddle this year's crop of radios. If they don't find it soon, the industry may go into a tailspin.

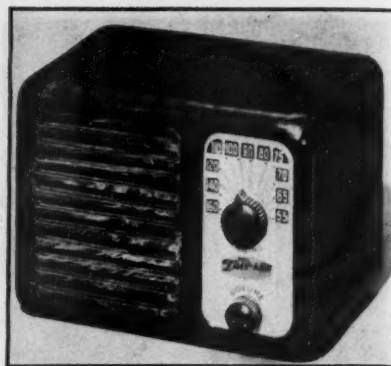
• **Expansion Theme Song**—The manufacturers have been working on this problem for some time. During 1947, the Radio Manufacturers Assn. launched a market-expansion campaign for "a radio in every room." In 1948 R.M.A. will plug the same theme—harder.

About 93% of the homes in the U. S. now have at least one radio. This limits the chances for a horizontal expansion of the market. Only 35% of the homes, however, have more than one radio. Here is where Stanley H. Manson, chairman of R.M.A.'s advertising committee, sees "a vast market of additional sales during the months ahead."

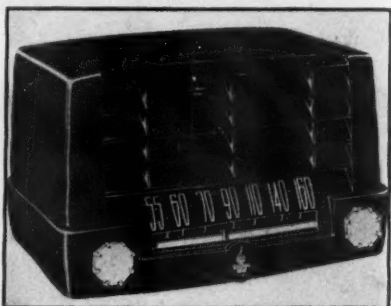
But except for replacements, the sale of a second radio to a family is harder than the first. Therefore the radio makers are looking for a way to sweeten the purchase of a second or third receiver.

There are two main courses of action. One is to make lower-priced sets; the other is to cut prices on already established models.

• **New Sets at Low Price**—Emerson Radio & Phonograph Corp., Trav-Ler Radio Corp., and Tele-tone Radio Corp. are already embarked on the first course. Emerson's least expensive radio in 1947 sold for \$19.95. This year the company has a five-tube model for



NEW LOW-PRICED RADIO to push sales: Trav-Ler's \$9.95 three-tuber, and . . .



. . . **A RIVAL:** Emerson Radio's new one, a five-tube model that retails at \$16.95

\$16.95. Last year's lowest price for an AM-FM combination was \$99.95; this year there's one for \$49.95.

The new Trav-Ler is aimed at an even lower-price market. The company is making two three-tube models, one for \$9.95, the other for \$11.95. The only difference between the two sets is the case.

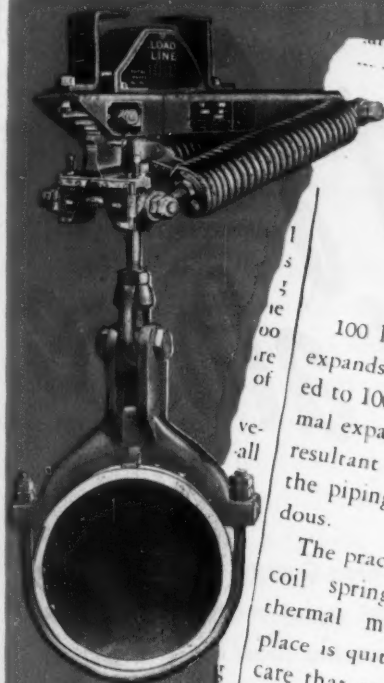
Tele-tone Corp.'s new three-tube model will also sell for \$9.95.

Other manufacturers have similar plans for less expensive radios. In this group are Magnavox, Westinghouse, Motorola, and General Electric.

• **Cutting Standard Prices**—Price cutting at the manufacturer level on established models is not widespread at present. It has showed up in many retail outlets, however. Trade-in allowances have grown more generous, and prices on the less well known brands have come down.

• **Cushion**—Television and FM may provide a cushion for some of the manufacturers. Neither market has been exploited intensively. Most of the big radio makers already have FM and video sets on the market; their profit margins in 1948 will depend somewhat on their ability to convince the public that every home need these services.

As demand for the standard sets drops off, the small companies will feel the pinch first. Many of the small radio makers folded in 1947's competitive market, and more are sure to follow this year.



GRINNELL CONSTANT-SUPPORT HANGERS

Provide constant support to piping subject to vertical movement. Full safety factor of supported system is always maintained.

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as
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ny-
ex-

High Temperature PIPE SUSPENSION

... a new science

100 linear feet of steel pipe expands 9.4 inches when heated to 1000° F. When this thermal expansion takes place, the resultant forces induced into the piping system are tremendous.

The practice of using helical coil springs to allow this thermal movement to take place is quite general, but the care that goes into the design or selection of flexible supports is looked upon by many as a casual matter. In fact, many specifications covering the support of important high temperature piping will simply say "spring hangers shall be provided." Merely to contend that this is a dangerous practice is not enough.

• Simple Story—The story the

Unless careful study is given to the design and selection of spring supports which will maintain a balanced pipe suspension system, the transfer of weight from one hanger to another, or from a hanger to a terminal point, may endanger the safety factor of the entire system.

From a paper presented before the American Petroleum Institute and published in the magazines PETROLEUM PROCESSING and PETROLEUM REFINER

• Literature on the importance of flexible pipe supports and the method of determining supporting forces and also material that is helpful in calculating hanger loads has been recently prepared by Grinnell Company and is available on request.

GRINNELL PRE-ENGINEERED SPRING HANGERS

Permit thermal movement of piping. Patented precompression feature assures operation of spring within its proper working range where variation in supporting force is at a minimum.



GRINNELL OFFERS A COMPLETE PIPING SERVICE

PIPING SUPPLIES

- Pipe, Valves and Fittings
- Engineered Pipe Hangers
- Grinnell-Saunders Diaphragm Valves
- Thermolier Unit Heaters
- Prefabricated Piping
- Plumbing and Heating Specialties
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OTHER GRINNELL PRODUCTS

Automatic Sprinklers and
Special Hazard Fire Protection Systems

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Cooling Systems



GRINNELL COMPANY, INC.

Executive Offices

PROVIDENCE 1, RHODE ISLAND

GRINNELL

WHENEVER PIPING IS INVOLVED

Not for bread alone

CURT GREENE gives vets lots of practical training in good farming.

The Greenes of Union County, North Carolina, get a lot more out of good farming than big crops.



1. EVERY DAY Curt lectures to G. I.'s in the new Veterans Hall, built by students and instructors for the Farm Training Program. He was chosen by the vets themselves.



5. BEAGLES and saddle horses are a hobby with Curt and Corbett. They follow their pack of nine beagles on horseback, mostly "to hear the music they make."



6. CURTIS GREENE has taught Sunday School for 27 years. The whole family goes to church every Sunday to enjoy the spiritual companionship of life-time neighbors.



7. CURT is building a good dairy herd—helps neighbors do the same—is convinced an animal husbandry agriculture means more security for farmers, better nutrition for all.

CURT GREENE and his wife, "Miss Jennie," started with little more than a cabin on a cotton patch.

From one-crop hardships, the Greens farmed themselves into security and comfort by sheer good sense and determination. They coaxed the stubborn soil into tripling its yields, they improved pastures, built up a dairy herd, increased their acreage, enlarged and modernized their home.

They have come a long way up, step by step, through hard work. Selfish rewards could have been their greatest incentive for material gain. But as they succeeded they

shared . . . for the good of the whole community.

Of his returns in good living Curt Greene says, "Money lacks a whole lot of being everything." His life is richer for the wealth of experience he can give freely in teaching veterans, encouraging diversification, helping others to farm better—for security.

The story of the Greens, their struggle and success, is told in full in the February issue of *Country Gentleman* . . . another inspiring "family portrait" of American farm life in the Good Farming—Good Living series about *Country Gentleman* subscribers.



2. HE URGES diversification, has proved it pays off. The county's top-income farmers, all livestock and grain men, average 3 times the income of lowest group, cotton-only farmers.



3. SON CORBETT and Mrs. Greene (Miss Jennie) appreciate power machinery, know how to keep the farm's two tractors, two Jeps and other equipment in tip-top shape.



4. THE SNUG HOUSE, now a comfortable 5 rooms and bath, has grown with the farm. With electricity have come lights, refrigerator, washing machine and electric range.

*The best people in
The Country*

turn to *Country Gentleman*
for Better Farming, Better Living



TIME
should govern
your thinking...



That's right! Your investment in cylinders should be considered from the standpoint of years. In buying Hackney L-P Gas Cylinders you are buying advantages that save you money year after year.

Although extremely rigid and strong in construction, Hackney Cylinders are lightweight. This means repeated economies throughout the long lives of these sturdy Hackney Cylinders. You repeatedly save money on maintenance, too. The finishing procedure means less repainting; the "scallop" foot ring permits thorough inspection and facilitates cleaning. Labor costs are reduced year in and year out.

So when you consider cylinders, remember you are making a long-term investment. Make certain you are getting the advantages that grow more important with each year. For full details on Hackney L-P Gas Cylinders, write us.



Pressed Steel Tank Company

Manufacturers of Hackney Products

Main Office and Plant: 1493 South 66th Street, Milwaukee 14, Wis.

1397 Vanderbilt Concourse Bldg., New York 17

207 Hanna Bldg., Cleveland 15

208 S. La Salle Street, Room 2072, Chicago 4

555 Roosevelt Bldg., Los Angeles 14

CONTAINERS FOR GASES, LIQUIDS AND SOLIDS

Word to the Wise

Liquidation of Pittsburgh store should be warning to other retail executives of what may happen if times get bad.

Death seldom comes to department stores. Their bankruptcy rate is third lowest among all types of retailers (BW—Mar. 30 '46, p. 86). Only grocery-meat and milk dealers are more tenacious.

• **Giving Up**—Yet last week—with business going full blast—a major department store said it was going to call it quits.

That store is Boggs & Buhl, Pittsburgh's second oldest, founded in 1869. Its action—and the reasons for it—gave department store executives the jitters. Was this an omen of what may happen if today's prosperity should hit the skids? Three reasons in Boggs & Buhl's demise could apply equally well to any store. They are:

Mounting operating costs. The ratio of such expenses to sales dropped sharply during the war. Many factors have caused this trend to reverse in the last two years. And the ratio has been rising at an increasing rate lately.

Out-of-date facilities. Boggs & Buhl never went in much for modernization. When the store finally decided that modernization was needed, costs were too steep. A recent example of the cost of store modernization is Foley's, in Houston, Tex.; it spent about \$10-million to do a complete job last fall (BW—Oct. 18 '47, p. 50).

Bad location. Boggs & Buhl today stands on the wrong side of the Allegheny River. In recent years it has watched the shopping heart of Pittsburgh shift more and more into the city's Golden Triangle across the way. Even its free bus service failed to beat this handicap.

Boggs & Buhl had other reasons, too—not as readily applicable to department stores in general. Among them:

Landlord trouble. The block-square plot on which the store stands is held by nine different owners. Disputes over rentals and the problems of dealing with multiple landlords were important in the decision to quit.

Sponsor trouble. Some 85% of the store's stock is owned by the Buhl Foundation. Only one small dividend has been paid since 1932; a net loss of over \$1.3-million has been run up in the last 15 years. The foundation evidently didn't want to go on carrying the store indefinitely, or invest any more in remodeling. The foundation may have been worried about a possible change in Bureau of Internal Revenue regulations—the change would make income

from business properties owned by foundations taxable (BW-Dec.27'47, p60).

• **Sales Record**—The store supposedly grossed between \$6½-million and \$7-million last year. Although that was quite a jump over the \$4½-million that was grossed in 1944, it wasn't a patch on the palmy days of the twenties. In those years the gross was around \$9-million.

Boggs & Buhl's branches in Darmont and Chatham Village, Pittsburgh suburbs, will be included in the liquidation.

SOAPLESS SOAP SCORES

As soap fat prices rise, manufacturers are going in for further development and marketing of soapless soaps (BW-Sep.27'47,p60).

Market testing of a new detergent toilet soap, Vel, produced by the Colgate-Palmolive-Peet Co., began recently in four midwestern areas. After a heavy introductory campaign, tests pointed to satisfactory business, repeat orders. Probable result: a campaign to sell the product nationally. A favorable factor is the name, which is the same as that of the company's well-established soap flakes.

The new 25¢ bar was introduced by mailings to large lists of middle- and upper-income groups—with a coupon good for one free bar with one purchased bar. Then Colgate started weekly five-column newspaper ads in Duluth, Minn.; Grand Rapids and Lansing, Mich.; and Racine, Wis.

P.S.

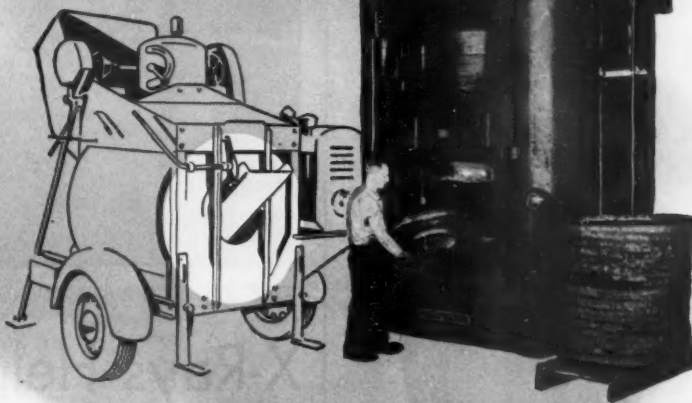
Large-scale invasion of the urban market by cooperatives (BW-Sep.13'47, p76) has reached Detroit. Motor City Consumer's Cooperative, Inc., has launched a drive for 500,000 members, expects to set up 15 stores in the Detroit area by Mar. 1. Goal for the year is 50 stores with \$15-million capitalization.

FM broadcasters will be able to use American Telephone & Telegraph's 15-kc coaxial cable facilities to connect New York, Philadelphia, Baltimore, and Washington after Feb. 18. Heretofore FM programs between these cities have been transmitted over 5-kc to 8-kc cables; cables of these sizes don't carry the sounds in the upper frequencies. Monthly rate for the 15-kc channel: \$10 per mile. Rate for standard 5-kc channel: \$6 per mile.

A 2% cash discount on all sales: That's what Roberts Furniture Store in Greenwich, Conn., is offering to offset "an exorbitant, unfair, and ruinous" state sales tax. Store officials felt that their customers were shopping in nearby New York in order to avoid the Connecticut tax.

PRODUCTION TIME SLASHED 84%

H-P-M did it!



You don't need a sharp pencil to figure the expert cost-cutting job this H-P-M FASTRVERSE Press did for the Jaeger Machine Company, Columbus, Ohio. On this one job alone, drum heads for concrete mixers, H-P-M piled up an almost unbelievable record for Jaeger.

Look at these facts—operation changed from "hot" to "cold" eliminating furnace expense... press operations reduced from 2 to 1... manpower requirements from 4 to 1... production time slashed from 6 minutes to 1—an 84% cut! Actual press time only 12 seconds per part!

You can save dollars with H-P-M FASTRVERSE Presses on *your* metal working jobs. They're noted for their ability to get the job done quicker—better—and at lower cost. Write today and get the facts.

THE HYDRAULIC PRESS MANUFACTURING CO.

1000 Marion Road • Mount Gilead, Ohio, U. S. A.

Branch Offices in New York, Cincinnati, Cleveland, Columbus, O., Detroit, Pittsburgh and Chicago. Representatives in other principal cities.

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See for yourself how H-P-M FASTRVERSE Presses can speed up production and cut your costs. Send for your copy of Bulletin 4706.



All-Hydraulic
Self-Contained

Metal Working Presses

REVOLUTIONIZING PRODUCTION WITH HYDRAULICS SINCE 1877



The finest appliance ever made is helpless if a weak-kneed cord and plug fail to stand up under aging and hard usage. The fact that PWC cord sets won't let a good product down explains why you'll find PWC on the plugs of so many of America's best and most famous makes of radios and electrical appliances.

PWC cords retain their handsome colors, high gloss, and flexibility. They resist grease, chemicals, and age which cause so many cords to fray, rot, and crack. That's because they are not only plastic insulated, but developed and made by the men who know plastic best—the world's largest exclusive maker of plastic insulated wire and cable.

Whether your product calls for a simple cord set or the most elaborate special harness, let us furnish the technical data and prices you require.

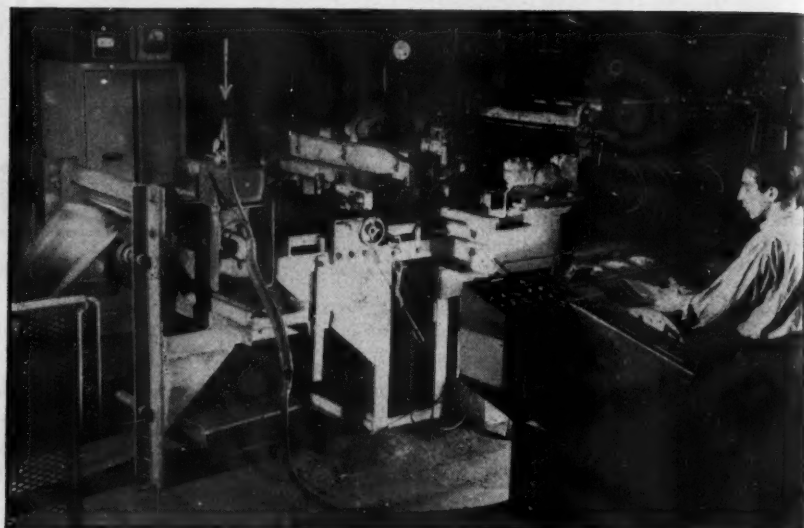
PWC

PLASTIC WIRE & CABLE CORP.

Jewett City, Connecticut
401 East Main Street

Flexible Cords • Multiple Conductors • Telephone Wires • Radio Wires • Power Cable • Cord Sets • Building Wire • Apparatus and Machine Tool Wire • Coaxial Cable • Shielded Cables • Special Purpose Wire and Cable

PRODUCTION



OFF-SIZE STEEL SHEETS are rejected by X-ray eye at Jones & Laughlin Steel Corp.

X-Rays Help Control Quality

New devices permit rapid, continuous, highly accurate tests of thickness of moving materials. Technique is proving valuable in steel, glass, plastics, paper, and many other industries.

X-rays—a standard tool in medicine—are fast becoming important quality-control tools for industry. Their value in detecting hidden flaws in castings and forgings is obvious (BW—Jul. 6 '46, p50). Another use: rapid and continuous measurement of sheet or material thickness.

Last week, both Westinghouse Electric Corp. and General Electric Co. announced new gaging units of the X-ray type. They measure thickness without physical contact with the material being gaged. Sheffield Corp. also makes such a device (BW—Oct. 19 '46, p62).

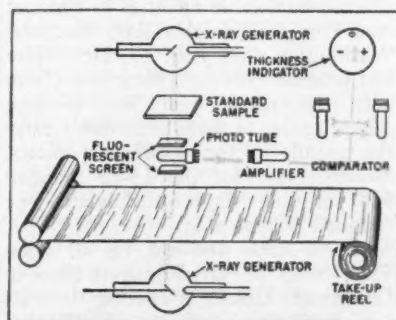
• **Theory**—The principal on which such equipment works is inherently simple: Different materials absorb X-rays in varying amounts. Thus, you compare the amount of X-rays absorbed by the test material with the amount absorbed by a standard-thickness sample of the same material (drawing, right); this gives a measure of the tested material's thickness. The actual gages are not as simple as the theory—but they are compact (picture, above), can be truck-mounted, and are easy to maintain.

The significance of such devices is the chance for quality-control they give many industries. For example, gaging thickness of sheet steel (which in some mills travels at a mile-a-minute clip) is a tough job. Yet sheet thickness must be held within narrow limits. If con-

tact gages are used, they may mar the surface. Or they may pick up scale, which destroys their accuracy. The X-ray gage never touches the material, is much more accurate than previous measuring devices. Nor is the X-ray gage affected when the strip flutters.

• **Savings**—Steel mill operators think the new device will improve quality without raising costs. For instance, it will help cut maintenance this way:

Strip going through a hot mill tends to cool somewhat at the end, gets thicker and takes on the shape of a long thin wedge. Broken welds often occur



ALTERNATING X-RAY BEAMS go through standard and test piece, are picked up on phototube, translated by an electronic circuit into a thickness measurement

when two edges of strip of varying thickness are welded together. If the weld breaks, the strip breaks. That stops the mill, may damage the rolls, adds to operating cost. But an X-ray gage can regulate the rolls so as to prevent changes in strip thickness, hence curb shutdowns.

• **For Sorting**—The high-speed response of the gage permits almost instantaneous control of sorting devices. X-rays can be used on classifying lines where it's important to separate prime from off-gage sheets quickly and accurately. The device can eke more prime sheets out of a strip because it is more accurate than conventional gages. This can be important to the producer from both cost and production angles.

Another feature of the gage, say Westinghouse engineers, is that it gives access to difficult spots. It is being used to measure the wall thickness of glass bottles—ordinarily impossible at high speeds.

• **Other Uses**—The no-contact characteristic is a big help in measuring coated materials, also thin easily-torn materials like aluminum foil and paper. Other industries interested in the gage for thickness control are copper, brass, linoleum, glass, plastics. Presumably there are potential uses for the gage in the food field, too.

The gage could be adapted for continuous measurement of conveyor-carried products, or products on an indexing table. And if the part under test has uniform shape, the gage could be calibrated to read off weight as well as thickness.

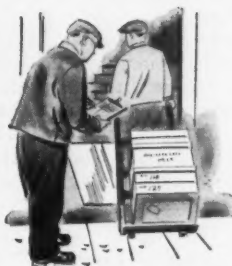
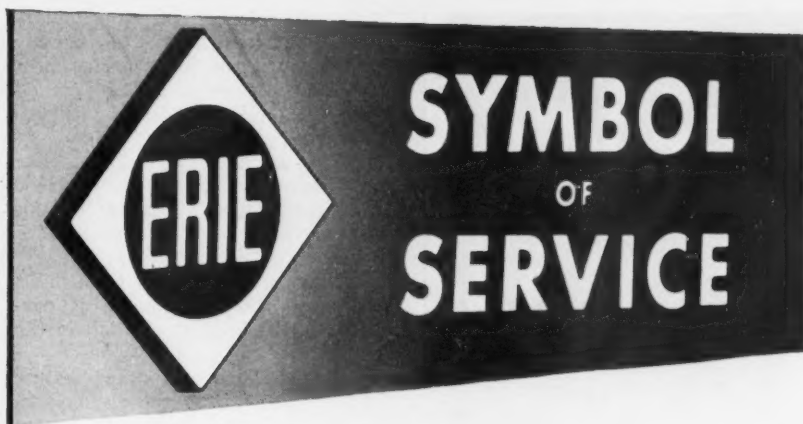
'Block Signals' To Control Air Traffic

"Block signals," like those used to insure train safety, will soon be ready for aircraft traffic control.

• **Panel Lights Tell**—The signal indicators will be lights on the airplane instrument panel. The lights will be turned on by a new electronic control system that General Electric Co. engineers at Electronics Park are working on. The engineers say the system will be able to handle up to 200 planes a minute flying past a point at 300 mph.

The system also makes the pilot's navigation simpler, for it keeps track of a plane's position automatically. An automatic warning system will tell the pilot if the section of "electronic track" ahead is occupied. At the same time, the ground station will be constantly posted on the location, altitude, and identity of every plane that is in the sector.

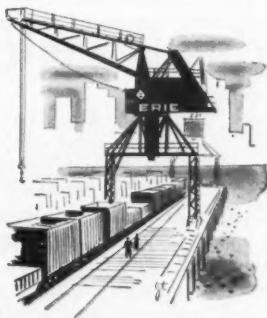
• **How It Works**—Heart of the system (called Tricon by the engineers) is the



★ To shippers everywhere the Erie Diamond has become a symbol of the "Service First" policy under which the Erie operates.

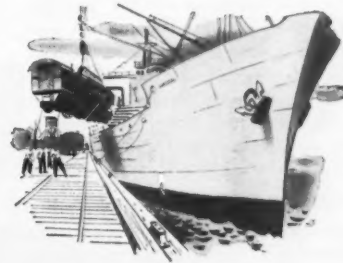
From pickup to delivery, constant checking and careful handling insures safe arrival of freight shipped "Via Erie."

Shippers and consignees are provided with a "timetable" that gives them accurate information on the routing and arrival time of less-than-carload shipments.



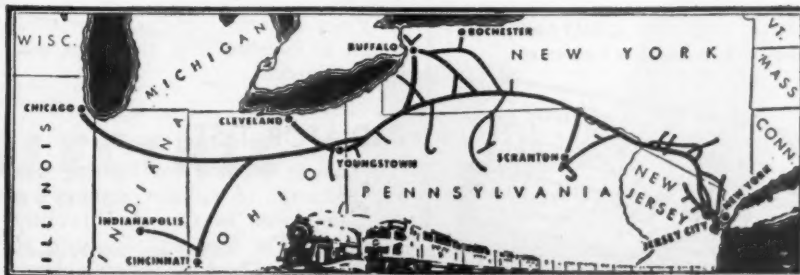
Specialized equipment simplifies handling of unusual types of freight, including raw materials and oversize, heavy-duty shipments.

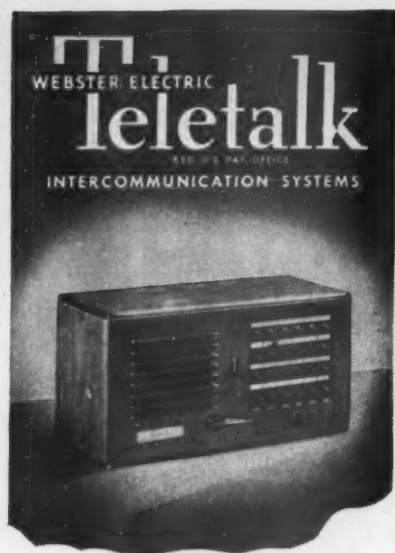
Storage, ship space, docking facilities and customs details—are all handled as part of the Erie's service for export shipments.



Erie Railroad

SERVING THE HEART OF INDUSTRIAL AMERICA





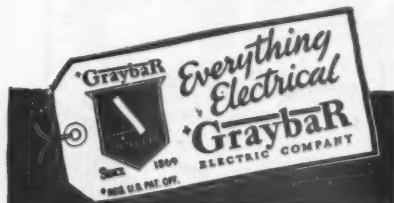
**Call your
nearest Graybar Dealer
for experienced aid
in selecting
intercommunication**

How many intercommunication units do you need . . . one, two, three, more? Experienced Graybar Dealers, with many completed installations to their credit, can size up your requirements and suggest the exact "Teletalk" setup that will bring you the greatest economy. They will recommend the models, the necessary number and the correct placement to give you the best in intercommunication efficiency. This service is available without obligation by calling your nearest Graybar office for the name of your closest dealer.

"Teletalk" is an outstanding quality product noted for its economy of operation, its top performance and long life. Tone qualities are natural and are free of hum or buzz.

For complete information, call or write your nearest Graybar office or the address given below.

GRAYBAR ELECTRIC COMPANY, INC.
Graybar Building, New York 17, N. Y.



"triple coincidence" of radio pulses. Three radio beams intersect on the airway on which the plane is traveling. Each 50-mile sector has a master ground transmitter and two "slave" stations controlled by the master. These stations send out the radio beams. The beams scan the entire sector with triple pulses about once a second, in this manner setting up an "electronic track" for the planes.

Meanwhile, the aircraft, through its own transmitting equipment, is continually establishing its position in the block system.

• **Command Signals**—Another feature of the system is that the ground stations can send commands to the planes—such as "hold," "turn left," or "go to track X."

These commands are given to the pilot by lights on the instrument panel. Voice communication is not used, but, nevertheless, it is available for use in emergencies.

The Tricon system will work regardless of weather conditions, C.E. engineers say.

METALWORKING INDEX

The metalworking field has never been able to get good information on its over-all self. The Federal Reserve Board provides some figures; but they cover either too much or too little. Thus, the FRB "durable goods" index blankets a lot more than metal products. And its subindexes cover only a single metalworking industry such as transportation equipment.

This week, American Machinist, a McGraw-Hill publication, is introducing a new monthly index of metalworking activity. The index is confined to metal-products manufacture: machinery (including machine tools, farm implements, household equipment such as refrigerators and sewing machines); automobiles and trucks; electrical machinery; transportation equipment; and other such metalworking fields as stampings, screw-machine products, hardware. The index is based on man-hours, with an adjustment for the "productivity factor." (The index would be affected less than 1% with an error in this adjustment of as much as 400%.) The importance (weight) of each industry in the index is on the basis of man-hours worked.

When seasonal patterns once more return to metalworking, the index will be so adjusted.

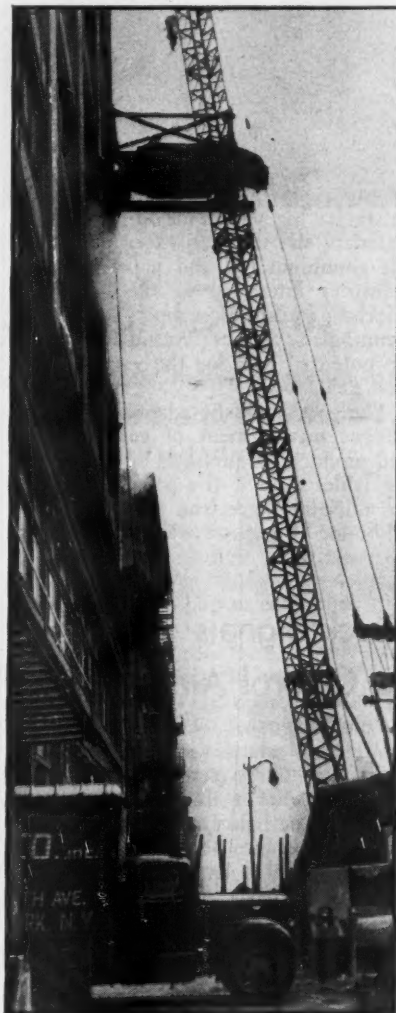
RADIATOR TEST

A simple method for figuring out the efficiency of radiator designs has been developed by Cornell University scientists. The idea was described at the American Chemical Society's chem-

ical engineering symposium held in Chicago.

Models of radiators, cast in naphthalene (the stuff from which mothballs are made), are the basis for the idea. Air is blown over the naphthalene, making it evaporate. By noting the rate of evaporation at different points on the model, engineers can figure accurately the design's cooling efficiency.

The method was developed in connection with research on lighter and more efficient airplane engine radiators. Engineers say that it would also work on other equipment where air-cooling is involved.



ALLEZ—OOP!

A neck stretcher for New York street gawkers was this hoisting feat that raised an automobile to the sixth floor factory of Ranger Tennere, Inc. Headed for a new topping, the car will swap its canvas roof for a Plexiglas cover. The new bonnet can be made in black, clear plastic, or colors. Ranger Tennere, who's doing the job for Plastics Unlimited, happily reported "mission accomplished" after the flight.

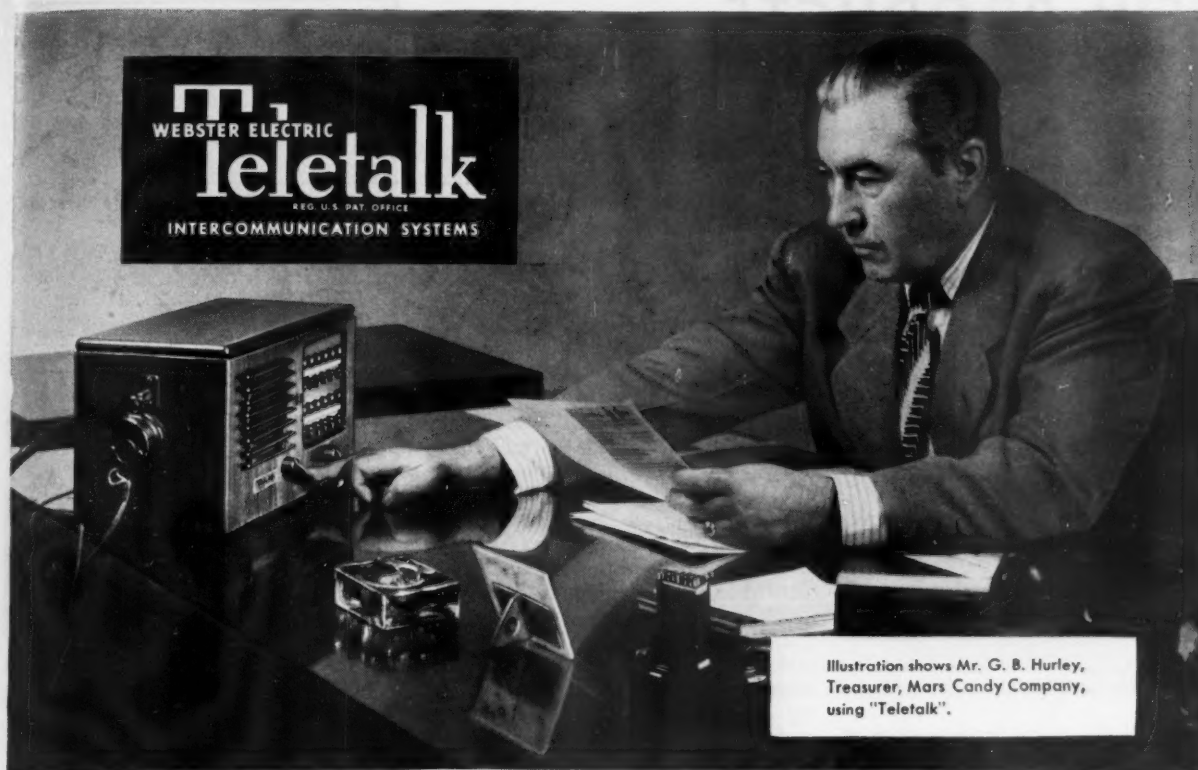


Illustration shows Mr. G. B. Hurley, Treasurer, Mars Candy Company, using "Teletalk".

Teletalk Gives Quick, Easy Voice-to-Voice Contact at Mars Candy Company

● In the rush at the Mars Candy Company to meet the popular demand for the Mars bar, a quick exchange of information is necessary between executives, departments and plant. The most efficient method was sought for this purpose and "Teletalk" was chosen to conserve time, to secure information, to save trips between offices.

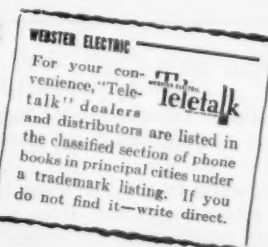
With "Teletalk" there is no waiting—just flip a key, then speak. Once you use "Teletalk", you'll add it to your list of office necessities because of its sheer convenience.

The "Teletalk" intercommunication system is a quality product. Tone quality is natural and individual

voices are instantly recognized. The economy of operation and maintenance speaks in favor of its selection.

If you are short of help—if you want to accomplish more each day—it will pay you to take time out now to contact the nearest "Teletalk" distributor or dealer for full information and helpful suggestions.

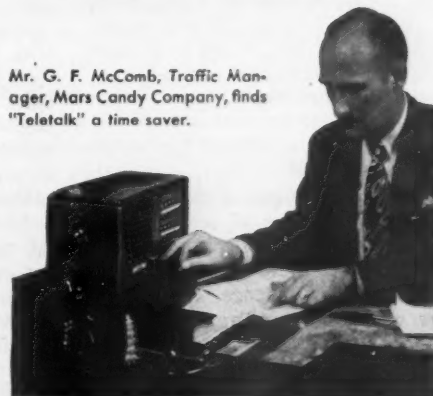
*Check
your
Phone
Book*



Mr. V. H. Gies, Director of Sales and Advertising, Mars Candy Company, using earphone (optional) to receive confidential information.



Mr. G. F. McComb, Traffic Manager, Mars Candy Company, finds "Teletalk" a time saver.



Licensed under U. S. Patents of Western Electric Company, Incorporated, and American Telephone and Telegraph Company

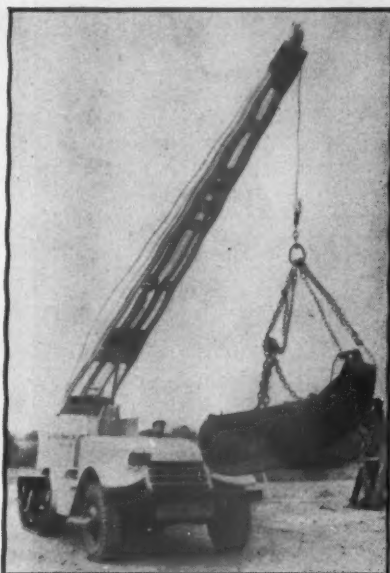
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NEW PRODUCTS



Half-Track Crane

Lifting jobs on any terrain—whether it's a factory floor or rutted mud—can be handled easily with the Luger crane, says Day-Smith Hydraulic Crane Corp., the manufacturer. The unit, which is mounted on a half-track chassis, will reportedly travel at speeds up to 40 mph. The half-tracks are surplus Army equipment.

The crane can lift and carry a 6,000-lb. load. Boom lift is 10 ft., maximum clearance under the hook, 18½ ft. The manufacturer is at Camp Hill, Pa.

• Availability: immediate.

Junior Engine

A bantam weight engine that will run seven hours on a gallon of gasoline is produced in a new vertical-shaft model by Power Products Corp., Grafton, Wis. Made of aluminum, the engine has an over-all weight of 17 lb. It can be used on rotary type lawnmowers, pumps, milking machines, and generators.

The engine is rated at 1 hp., measures 8½ x 10½ x 14 in. It will operate at tilts up to 45 deg., is said to produce a minimum of vibration and noise.

• Availability: two weeks.

Thread Counter

Threads in a sample of cloth can be counted in a matter of seconds with the Pick-O-Meter, an electronic device manufactured by Sjostrom Machine Co., 15 Union St., Lawrence, Mass. The meter uses a light source, an optical system, and photo tubes.

The optical system automatically focuses a tiny beam of light—less than

1/1000 of an inch wide—on the sample to be counted. The light moves across two inches of the fabric. Differences in light volume between the threads are amplified by the photo tubes to energize the electric counter. Final readings are shown on a dial.

The unit is housed in an aluminum case. It measures 30 in. long, 24 in. high, 18 in. deep. Weight is 65 lb.

• Availability: 8 to 10 weeks.

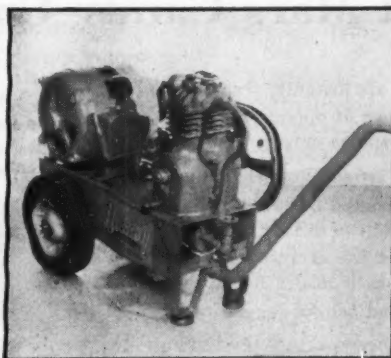
No-Rough Metallizer

Worn-down steel and other materials can now be built up (metallized) to their original form without surface preparation. It's done with Metco Sprabond, a metal that comes in wire form. The metallizer is said to do away with the usual roughing treatment needed to get a good bond.

The metal is applied with a spray-gun—actually a combination spray unit and oxyacetylene torch. The wire is atomized in the gun, blown from the tip as molten metal. It sticks to the surface, building it up and making a base for finishing coats.

Metallizing Engineering Co., Inc., 38-14 30th St., Long Island City, N. Y., is the manufacturer.

• Availability: immediate.



Compressor on a Cart

A portable air compressor for industrial use is manufactured by Quincy Compressor Co., Quincy, Ill. It is belt driven, works from either a gasoline engine or an electric motor. Both compressor and power unit are mounted on a steel carriage which has two 10-in. rubber-tired wheels.

Made with piston displacements of 4.6 cu. ft. to 8.6 cu. ft., the compressor supplies operating pressures of 70 lb. to 80 lb. It measures 24 in. long, 15 in. wide, 24 in. high. Ready for shipping, it weighs 150 lb.; the handle is detachable.

• Availability: immediate.



Versatile Tractor

LONDON—A lightweight 1½-hp. tractor for small-market gardens is being produced by the Agricultural Division of British Motor Boat Mfg. Co. Ltd. It is said to run all day on a gallon of gasoline.

Called the Hoe-Mate, the machine handles a variety of attachments, including disc cultivators, hoes, seeders, and ridging equipment. It can also be used as a tow unit. Clutch lever and throttle control are mounted on the tractor handles.

Front wheels on the machine are 20 in. by 4 in. rubber tires; rear wheels are steel. The tractor runs at speeds from 1 to 2½ mph. A power takeoff will drive saws and water pumps.

The manufacturer is at Britannia House, Ampton St., London, W. C. 1.

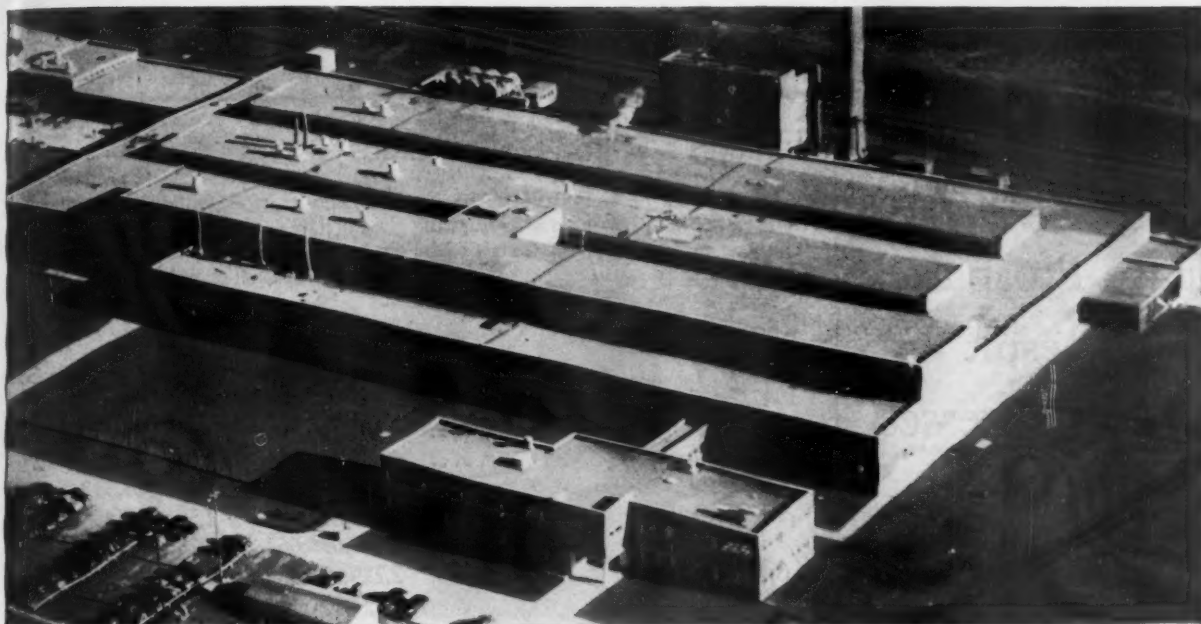
P. S.

Little Drip, an individual coffee maker, brews its coffee in the cup. It has an aluminum top, an 8-oz. glass bottom with plastic holder and handle. George S. Thompson Corp., South Pasadena, Calif., the manufacturer, says it makes coffee in 3½ min.

Harley-Davidson Motor Co., Milwaukee 1, has announced its first motorcycle powered with a two-cycle engine. (Conventional engines operate on four cycles.)

Three new Geon resins (vinyl chloride polymers) are in the works at B. F. Goodrich Chemical Co., Cleveland 15. They're said to mold more easily, have lower softening points.

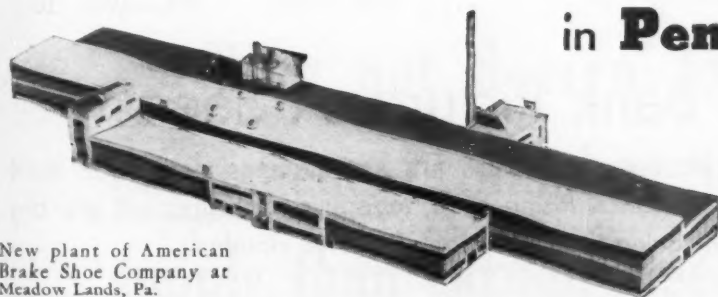
Cut-off machine for metalworking is made with a quick-action clamp by Tabor Mfg. Co., 6225 Tacony St., Philadelphia 35.



NO. 13 OF A SERIES

MEADVILLE PLANT—Aerial view shows new two-story, modern office building, main foundry building and heating plant unit.

American Brake Shoe builds 2 new plants in **Pennsylvania**



New plant of American Brake Shoe Company at Meadow Lands, Pa.

"At the completion of World War II," said Mr. William B. Given, Jr., president of American Brake Shoe Company, "we decided to replace the long-established foundry at Meadville with a newer and more modern plant. We looked around carefully before rebuilding, but found the ideal conditions were right here in Meadville."

American Brake Shoe Company recently completed two new foundry plants in Pennsylvania at Meadville and at Meadow Lands near Pittsburgh, as part of a \$15,000,000 plant modernization and expansion program. Other Pennsylvania plants of the company are located at Sayre and Pittsburgh.

The new foundry at Meadow Lands, built for the company's Brake Shoe and Castings Division will produce brake shoes and brake shoe parts for the nation's railroads.

The National Bearing Division's new plant at Meadville has a total of 185,000 square feet of floor space. Bronze bearings and castings for railroads, steel mills and many other industries will be produced here.

Perhaps the ideal conditions which exist in Pennsylvania would provide a suitable location for a plant or branch of *your* business. We shall be glad to give you detailed information on raw materials, labor, plant sites, markets, etc. Write to the Pennsylvania Department of Commerce, Harrisburg, Pa.

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FINANCE

Banking's Billion-Dollar Club Grows

The number of United States banks with deposits of \$1-billion or more grew from 15 at the 1946 year-end to 17 at the close of 1947—highest number in history. The new members are Pittsburgh's Mellon National Bank & Trust Co. and the Cleveland Trust Co. Because of several mergers with smaller neighbors, Mellon's deposits jumped 22% in 1947.

Rank Dec. 31, 1947		Deposits Dec. 31, 1947	Dec. 31, 1946	Rank Dec. 31, 1946
1	Bank of America (San Fran.)..	\$5,467,199,162	\$5,415,849,715	1
2	National City (N. Y.).....	4,874,418,234	4,664,102,604	2
3	Chase National (N. Y.).....	4,477,562,450	4,495,303,512	3
4	Guaranty Trust (N. Y.).....	2,451,659,287	2,501,513,458	4
5	Manufacturers Trust (N. Y.)..	2,320,056,667	2,286,946,694	5
6	Continental Ill. (Chicago)....	2,229,664,369	2,038,434,994	6
7	First National (Chicago).....	2,153,197,591	1,961,745,697	7
8	Security-First (L. A.).....	1,650,555,265	1,633,051,837	8
9	Central Hanover (N. Y.).....	1,492,339,864	1,500,183,881	9
10	Bankers Trust (N. Y.).....	1,483,951,180	1,390,589,699	10
11	First National (Boston).....	1,337,882,974	1,324,685,418	11
12	Chemical (New York).....	1,284,087,036	1,226,822,541	12
13	National Bank of Detroit....	1,177,120,703	1,095,361,796	13
14	Bank of Manhattan (N. Y.)..	1,140,003,114	1,055,451,016	14
15	Mellon National (Pittsburgh)..	1,126,741,450	918,021,604	18
16	Irving Trust (N. Y.).....	1,072,859,754	1,021,002,334	15
17	Cleveland Trust	1,030,169,480	988,380,081	16

The Bank Picture: A Seesaw

Deposits and loans are up, earnings down for most commercial banks. Rising costs, federal debt retirement are big factors in cutting profits. Outlook for 1948 clouded.

Annual bank reports were flooding the nation this week as bankers the country over added up the 1947 score. Here are the highlights:

HIGHER GROSS INCOME than in 1946 but smaller net profits;

A DRASTIC DROP in commercial-bank ownership of government bonds;

A SHARP UPTURN in outstanding bank loans accompanied by a definite firming in interest rates;

DEPOSITS again moving upward after their sharp early-postwar slump.

These mixed developments come as no surprise. Forecasts a year ago indicated such a trend for 1947 (BW—Jan. 25'47, p64).

• **Ups and Downs**—A look at the statements of the commercial banks with deposits of \$1-billion or more (table above) tells the story.

All but three of that select 17-member group at the close of 1947 could

boast that deposits were up over the 1946 year-end.

All reported drastic drops in government bond holdings during the year, and a sharp expansion in the amount of their outstanding loans.

And all but a few had to be content with smaller profits in 1947 than in 1946.

• **Biggest Bank**—At the top of the list, an exception to the majority report on earnings came from San Francisco's Bank of America, still the world's largest nongovernmental bank by a large margin. Net profits of Amadeo Peter Giannini's California colossus added up to almost \$39.6-million last year, compared with just under \$29-million in 1946.

Otherwise, Bank of America conformed to the general 1947 pattern. This was particularly true of the makeup of its earning assets. Loans and discounts had jumped \$770-million above



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EXECUTIVE THINKING AND ACTION

By FRED DE ARMOND

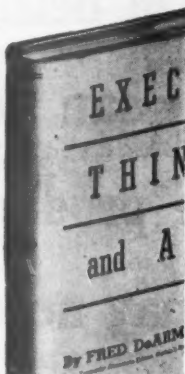
Formerly Associate Editor, *Nation's Business*

251 pages, \$3.00

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- how to translate ideas into action
- how to organize for efficient, decentralized execution
- how to "make time" for yourself by careful planning
- how to apply facts to the solution of problems
- how to profit by a free exchange of views
- how to blueprint your plans for action
- how to combine reason and instinct in arriving at decisions
- how to use the words that move men to action
- how to time your action to the psychological moment
- how to keep your own ego in tow



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their 1946 level to around \$2.5-billion by the end of 1947. And security investments had slid off \$700-million to less than \$2.2-billion.

Thus, as 1947 closed, loans and discounts were accounting for 43% of all Bank of America's resources; in 1946 they accounted for only 32%. Security holdings represented only 38% of assets, compared with 54% the year before.

• **New York Reports**—In the case of New York City's 15 largest banks, loans now account for around 26.5% of all resources vs. 23.8% at the 1946 year-end; government bond holdings came to only 41.6%, compared with over 47% a year ago.

The Philadelphia picture is much the same. Commercial bank reports from that area indicate a 40% drop in government holdings in 1947, a 28% rise in loans.

In Chicago, too, bank loans expanded around 20%.

• **Some Earnings Up**—The Bank of America wasn't the only one reporting greater earnings in 1947 than in 1946. The Security-First National of Los Angeles could point to net profits some 17% larger than the year before. So could Buffalo's Marine Trust Co. San

Francisco's Bank of California reported a gain of 12% in net profits; earnings of the First National of Chicago were up slightly; and New York's National City Bank, the nation's second largest commercial bank, at least equaled its 1946 net.

But such gainers were relatively few. Far more numerous, and more widely scattered, were banks whose profits slipped.

• **Most Earnings Down**—In Manhattan, for example, take the Chase National. Although it enjoyed the biggest year's business in history, it had to report to stockholders that its 1947 net had slipped 10% below that of 1946. Earnings of New York Trust, Central Hanover, Guaranty, and Manufacturers Trust were down 7% to 16%. The Bank of Manhattan Co. reported that earnings were as much as a third off.

Earnings were anywhere from 7% to 15% less than 1946 for the following: Chicago's Continental & Commercial; First National of Boston; Northwestern National of Minneapolis; Republic National of Dallas; Rhode Island Hospital Trust of Providence; and the Corn Exchange Bank & Trust of Philadelphia.

Much sharper year-to-year declines in profits after all charges, recoveries, re-



Charting the Course of a Savings Sale

Heeding President Truman's plea for a stepped-up savings bond program, business leaders recently gathered for a powwow with Treasury officials. At the office of Martin W. Clement, president of the Pennsylvania R.R., they mapped plans to put more force behind the anti-inflation drive. Shown (left to right) are: Andrew J. Schroder, personnel manager of Scott Paper Co.; E. Ruber Ulrich, assistant to the president of Curtis Publishing Co.; Walter D. Fuller, president, Curtis Publishing Co.; Clarence Francis,

chairman of the board of General Foods Corp.; Vernon L. Clark, assistant to the Secretary of the Treasury and national director of the U. S. Savings Bonds Division; Thomas B. McCabe, president of Scott Paper Co. (who was named chairman of the Federal Reserve Board this week by President Truman—page 6, cover); Clement; O. M. Corrigan, manager of employees' savings division, General Electric Co.; Olen E. Anderson, vice-president, John Hancock Mutual Life Insurance Co.

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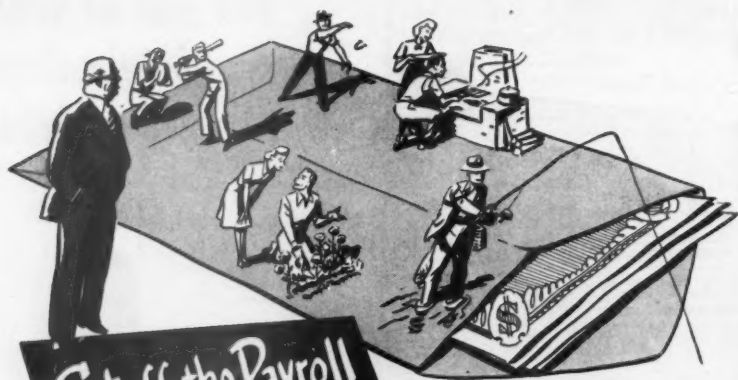
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serves, etc., were chalked up by the Toledo Trust Co.; Huntington National of Columbus; Traders' National of Philadelphia; and St. Louis' Mercantile Bank & Trust.

• **Reasons for Decline**—Chief causes of last year's poorer bank earnings were:

(1) Rise in bank operating costs, especially in wage scales;

(2) Decline in government holdings—mainly a result of the Treasury's debt-reduction program (some of these bonds were yielding more than loans that replaced them);

(3) Smaller profits from security sales due to the slump in securities markets.

• **Bright Spot**—Two notes for the cheering section:

(1) The record growth of loans and the gradually firming money rates upped interest income sharply for most banks.

(2) Fees and commissions from trust and other banking services were higher.

But these gains weren't enough to offset the basic drop in investment income, the rise in operating costs.

• **Cost Trouble**—Don't underrate the uptrend in costs: They have become a big factor in figuring earnings, and it looks as though they are going to stay high—at least for some time.

These costs started to zoom sharply in 1946. By last year they were absorbing as much as 54% of all gross income; in 1945 they absorbed only 40% (using four leading New York banks as a yardstick). In these banks, wages and salaries alone rose some 41% in the last two years.

• **Forecast Foggy**—For 1948, the outlook is none too clear. On the credit side, most bankers look for a still higher climb in the recent record-breaking demand for loans. They expect, too, that the firming in money rates will continue. And they report that operating costs are showing signs of stabilizing.

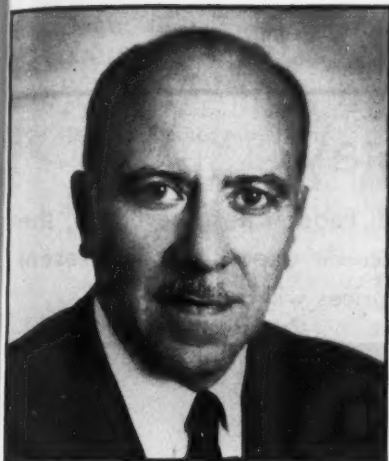
So it's possible that this year fiscal reports may be more encouraging.

• **But Then**—On the debit side, anti-inflation steps of the government could lower earning assets fast (last week saw a 10% hike in reserve requirements of New York and Chicago banks, to take effect Feb. 27). Bankers generally agree that the Treasury's 1948 debt-retirement plans, plus the flow of tax money into government coffers, forecast a drop in national bank deposits of \$3-billion or more within the next three or four months.

They have an eye too on the possibility of another round of wage raises this year.

Another worry: Just how much more money can be put out on loan? Many banks already appear to be "loaned up." And public officials are urging more and more caution in the extension of credit.

So there is no real assurance yet that the postwar downtrend in bank earnings reached bottom in 1947.



DEALERS' CHOICE

Taking over the driver's reins at the National Assn. of Securities Dealers, Inc., is L. Raymond Billett. He was picked as chairman of the board of governors to replace Herbert F. Boynton, who retired. Billett is a partner in Kebbon, McCormick & Co., Chicago investment bankers. He was previously vice-president of Stern, Wampler & Co.

KAISER-FRAZER HOLDS OFF

The poor stock market has caught up with Kaiser-Frazer Corp. This week it postponed indefinitely a public offering of the 1.5-million shares of new common stock registered for sale earlier this month (BW—Jan. 10'48, p. 20).

A company spokesman said the offering will be held up until open market prices for the shares now outstanding move higher. The company can afford to do this, it was indicated, since its present cash position is good.

The offering would have been the third since the corporation was founded in 1945. Proceeds were to have been used to finance expansion and improvement of present manufacturing facilities.

FUNDS FOR SUBWAY

Chicago's nearly completed \$75-million subway system got a \$5,299,916 shot in the arm last week. The money came from the Federal Works Administration; it brought the government's total contribution so far to \$22,540,000 of an over-all pledge of \$25,976,000.

The money will be used on the 3.85-mi. route that runs northwest from the Loop in downtown Chicago. This section has now been 90% completed; it is scheduled to go into operation next year.

The first subway in this same system—a 4.9-mi. route running north and south under the Loop—has been operating since 1943 (BW—Oct. 23'43, p. 30).

A Question of Right—Public and Private

If it is true that "Administration insiders" profited from their knowledge of the government's buying program by speculating in the wheat market, they have violated a public trust and shown themselves unworthy of office.

That much is clear. But it is also clear that in the investigation of this alleged scandal, thousands of honest American citizens have been unfairly subjected to unwarranted public abuse. Publication of their names would seem to infringe rights guaranteed them as free American citizens.

It is true that such publication by

the Department of Agriculture was authorized by a special Act of Congress on December 19 which revoked a provision of the Commodity Exchange Act, specifically assuring them of anonymity. Hence, the action may have been technically legal. It was nonetheless morally wrong.

As risk-takers or speculators, these individuals were performing a valuable function in our economy. Their transactions were wholly legitimate, specifically sanctioned by law. They are deserving of our commendation, not criticism or condemnation.

THIS IS AN EXCERPT from a full-page newspaper advertisement in which we undertook to explain as simply and as factually as possible how the commodity exchanges operate—what the speculator does that helps cut business risks, business costs, and ultimately consumer prices.

Public understanding is vital, because unjustified attacks on commodity speculation threaten to hamstring the operation of free commodity markets, on which our system of distribution depends.

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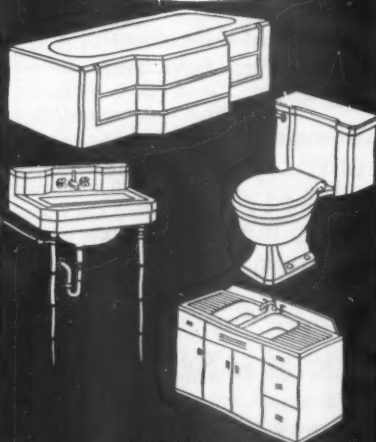
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THE MARKETS

Credit Controls Stay

Despite Eccles' demotion on Federal Reserve Board, the government will keep screws on credit expansion. So present trend of interest rates and security prices will continue.

This week's sudden shuffle in the Federal Reserve Board won't make any immediate difference in the government's credit-control policies (page 15). And that means it will have little or no effect on the trends of interest rates and security prices.

• **New Face, Old Rules**—Thomas B. McCabe (cover) replaces Marriner S. Eccles as Reserve Board chairman, and Eccles steps down to vice-chairman. But the Reserve Board will keep right on with the policy it has been following for the past six months (BW—Jan. 3'48, p52). This policy has had two main characteristics:

(1) A determination to tighten up on commercial bank lending and thus check the credit expansion that has contributed to the inflationary boom;

(2) An equal determination to support the price of government bonds at par—which means maintaining 2½% as the top rate on long-term government borrowing.

• **Dilemma**—These two objectives are not entirely compatible, and the Reserve Board has had some nasty headaches trying to figure ways of putting pressure on the banks without breaking the market for governments.

McCabe's appointment as chairman will change neither the objectives nor the headaches.

• **McCabe's Views**—McCabe, a businessman and chairman of the Philadelphia Federal Reserve Bank, is inclined toward orthodox theories of central banking. He will be sympathetic to the idea of putting the brakes on credit in an effort to get the present inflation under control.



Marriner S. Eccles

The other requirement—protection of the government bond market—may put a strain on his orthodoxy. But he will have to accept it just the same. Both President Truman and Secretary of the Treasury John W. Snyder are flatly committed to it. McCabe will have to string along, at least for the time being.

Thus, the outlook in the money markets remains just what it was before. The Reserve Banks will continue to support the market for governments. But other interest rates will edge upward slowly. And as interest rates rise, the pressure on security prices, both stocks and bonds, will be downward.

• **Pleased**—Commercial bankers, who like McCabe and dislike and fear Eccles, generally rejoiced at the appointment. Among other things, they figure that it drives the final nail in the coffin of Eccles' proposal for a special system of secondary bank reserves. McCabe may give the Eccles plan formal indorsement, but they don't think he will root for it.

Another group that pricked up its ears was the professional security traders, who have long fought the Reserve Board's rule requiring at least 75% margin on stock purchases. The Street doesn't pretend to know how McCabe will stand on this point, but it guesses

Security Price Averages

	This Week	Month Ago	Year Ago	Week Ago
Stocks				
Industrial	140.3	144.3	150.5	149.2
Railroad	42.8	42.5	43.4	47.5
Utility	67.2	68.7	67.2	79.8
Bonds				
Industrial	119.2	119.1	118.1	123.5
Railroad	104.3	104.7	103.7	114.6
Utility	113.8	113.6	113.3	111.0

Data: Standard & Poor's Corp.

that he can't be any tougher than Eccles.

• **New Curb**—Incidentally, the Reserve Board tightened up its credit controls another notch just before McCabe's appointment was announced. Last week end, it raised the reserve requirements for New York and Chicago banks from 20% to 22% effective Feb. 27. Reserve requirements in other cities are as high as they can go without new legislation, but in the two big money centers the board can raise them to 26%.

The latest increase won't have much immediate effect on interest rates or volume of lending—the New York and Chicago banks have a fairly comfortable cushion of excess reserves though not

enough to cover all the additional requirements. But it is another step in the direction of tighter money.

This was steel week in the stock market—the time when the big steel companies make their annual reports. This year, the contrast between corporate earnings and the price tags on the securities of those same corporations is more dramatic than ever.

United States Steel Corp., for example, reported a net for the year of \$11.66 a common share, against \$7.28 in 1946. Yet, on the New York Stock Exchange, U. S. Steel is about \$3 a share cheaper than it was a year ago.

Dividend Payments: the 1947 Record

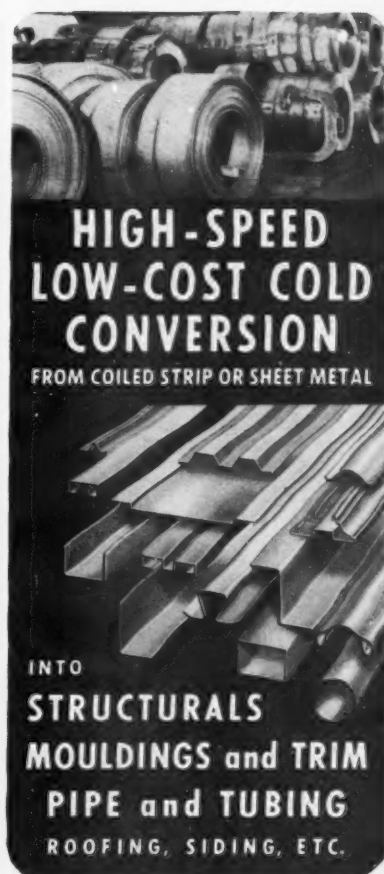
Publicly reported cash dividend payments of domestic corporations last year zoomed 18% over 1946, according to the Commerce Dept. The total was almost \$5.2-billion.

Biggest beneficiaries of this sharp uptrend were holders of mining stocks: Their 1947 dividends were about 50% larger than in 1946. But manufacturing companies and the wholesale and retail trade group didn't do badly, either. Dividends of the former were up 24%; those of the latter ran 20% above 1946.

For common stock dividends alone, the 1947 showing was even more spectacular. Such payments, the New York Stock Exchange reported last week, were almost 20% ahead of 1946. Over 88% of all common stocks listed on the Big Board paid dividends last year (table, below). And almost two-thirds of the dividend-payers made larger disbursements than in 1946. Only aircraft, airline, railroad, and shipbuilding groups cut payments below last year's levels.

Industry	Number of Issues	Dividend Payers		Dividend Results 1947 vs. 1946			Approx. Amount of Dividends ('000 omitted)		% Change vs. 1946
		1946	1947	Higher	Same	Reduced	1946	1947	
Air transport.....	10	5	2	0	0	5	\$5,914	\$2,135	-63.9%
Aircraft mfrs.....	14	13	10	2	3	8	28,872	15,017	-48.0
Amusement.....	20	18	18	9	5	4	53,741	60,413	+12.4
Automotive.....	67	51	55	38	12	6	165,739	233,506	+40.9
Building.....	26	22	24	21	2	1	31,833	44,256	+39.0
Office equip.....	10	10	9	6	2	2	24,915	27,490	+10.3
Chemical.....	76	72	73	49	10	15	310,245	376,316	+21.3
Electrical equip.....	18	16	18	11	7	0	74,011	85,771	+15.9
Farm mach'y.....	6	5	5	3	1	1	25,352	29,818	+17.6
Financial.....	29	29	29	16	10	3	65,513	67,505	+3.0
Food.....	65	60	62	46	10	6	164,694	200,248	+21.6
Garment mfrs.....	6	5	6	3	2	1	3,926	4,126	+5.1
Realty, hotels.....	6	3	4	4	0	0	997	4,379	+339.2
Leather, shoe mfrs.....	11	9	10	10	0	0	12,687	17,212	+35.7
Mach'y, metals.....	94	85	87	58	23	8	96,056	126,431	+31.6
Mining.....	35	26	29	24	5	2	92,130	145,624	+58.1
Paper, publishing.....	31	26	29	26	3	0	36,238	57,957	+59.9
Petroleum.....	41	40	40	34	5	1	334,623	431,176	+28.9
Railroad.....	79	50	50	12	31	10	205,240	191,656	-6.6
Retailing.....	70	66	65	38	9	20	210,908	224,345	+6.4
Rubber.....	10	10	10	5	2	3	30,642	34,086	+11.2
Shipbuilding.....	5	5	5	0	2	3	6,565	5,031	-23.4
Ship operating.....	6	6	6	3	3	0	6,285	9,726	+54.7
Steel, iron, coke.....	39	33	35	28	5	2	108,804	141,833	+30.4
Textile.....	36	35	36	30	2	4	48,702	76,073	+56.2
Tobacco.....	18	17	17	10	5	2	59,730	68,185	+14.2
Transportation services	4	3	3	1	1	1	1,348	1,353	+0.4
Utilities.....	71	59	60	28	25	8	377,749	402,677	+6.6
U. S. cos. operating abroad.....	24	15	18	13	3	2	43,300	64,396	+48.7
Foreign companies.....	16	13	15	11	3	1	65,417	78,220	+19.6
Other companies.....	21	21	21	13	6	2	21,574	27,692	+28.4
Total.....	964	828	851	552	197	121*	\$2,713,750	\$3,254,653	+19.9

* Payments were reduced on 102 issues and eliminated or deferred on 19 issues.



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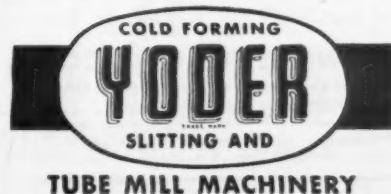
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WALLACE GETS ASSURANCES of aid from F.E.W.'s president Grant Oakes (left)

C.I.O.'s Left Clings to Wallace

Murray's stand against third party brings open opposition from 11 left-wing leaders. Next week's convention of leftist farm equipment workers will show how severe the break will be.

How far will C.I.O.'s left-wing go beyond rejecting Philip Murray's stand against Henry Wallace? The answer should come next week. The small, leftist Farm Equipment & Metal Workers Union will provide a quick sounding board for the Wallace bloc. Delegates to a special F.E.W. convention—called to study Taft-Hartley strategy—will be asked to vote 100% support for the new third party.

• **Left-Wing Leader**—F.E.W., whose executive board was first in C.I.O. to indorse Wallace, will be in the lead a second time: It will be the first major C.I.O. union to take up the third party issue officially.

One week later, in Cleveland, a pattern will be set for C.I.O. right-wing action. The Industrial Union of Marine & Shipbuilding Workers (very anti-Communist) will open its biennial convention Feb. 9. Its president, John Green, is expected to call for—and get—strong support for Murray's political program.

The F.E.W. convention will forecast what other C.I.O. left-wing unions will do. What F.E.W. decides about future support for C.I.O.'s Political Action Committee, for instance, may foretell P.A.C.'s fate. And F.E.W.'s attitude

toward C.I.O.'s right may show just how serious the crack in C.I.O. may be.

• **Change in Tactics**—Murray got off the fence between C.I.O.'s right-wing and left-wing factions in Washington last week, as predicted last fall (BW—Oct. 25'47, p100). He offered his right-wingers leadership by:

(1) Openly identifying the C.I.O. leftist leaders who support the third party;

(2) Flatly calling for a resolution indorsing the Marshall Plan.

• **Complete Rift Unlikely**—Murray's stand severely strained relations between C.I.O.'s right and left. For the present, however, an open break isn't expected.

There's an obvious reason: Neither bloc is ready to lose the benefits of economic solidarity.

• **Three to One**—C.I.O. executive board members backed Murray's opposition to a third party 33-11. Five were absent; two abstained from voting. C.I.O. went on record that it is "politically unwise to inject a third party into the political scene in 1948."

In announcing the actual vote (an unprecedented step in C.I.O.'s 12-year history) Murray made this point: The majority has laid down a policy which

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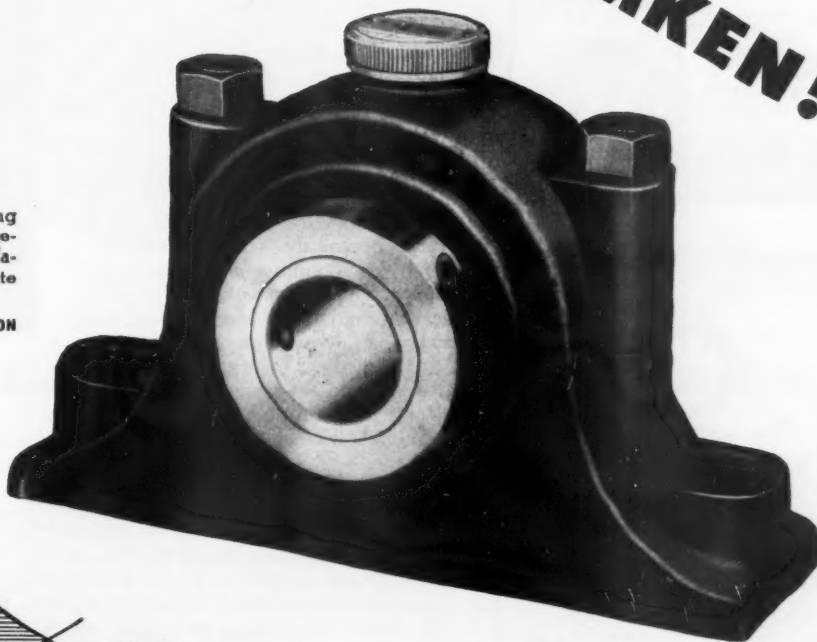
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PHILIP MURRAY: His stand against Wallace widened gap between C.I.O. factions...

all unions now have a "moral obligation" to follow.

• **Rebuttal**—Harry Bridges, president of the left-wing International Longshoremen's & Warehousemen's Union, didn't agree. He told reporters that there is nothing to bind C.I.O. unions to any national policy. The organizations for which he spoke will continue efforts in behalf of the Wallace third party.

And Albert J. Fitzgerald, president of the United Electrical, Radio & Machine Workers, backbone of C.I.O.'s left-wing, demanded that Murray issue a "clear declaration" that international unions can "indorse and support such candidates as they see fit." By such a declaration, he said, Murray could avoid widening "divisions in our ranks." Fitzgerald called for continuance of P.A.C. It can "continue to function effectively in present circumstances," he said, if it will limit itself to congressional elections.

• **Internal Opposition**—All of that is the backdrop against which F.E.W.'s get-together will be held. Its president, Grant W. Oakes, was one of the 11 pro-Wallace voters; and he and F.E.W.'s 13-member board have refused to file non-Communist affidavits under the Taft-Hartley act. There's growing opposition in the union to the leadership on the grounds the existence of many F.E.W. locals is being jeopardized.

A group led by Thomas Kelly, an ousted international representative, is set to challenge incumbent leaders on the T-H issue. This challenge could broaden to the Wallace indorsement and other party-line resolutions. Even if it bears little fruit in the form of votes against the incumbents, the attack may be important: It may pave the way for switchovers by right-wing locals to Walter Reuther's United Automobile, Aircraft & Agricultural Implement Workers (U.A.W.).

• **"Radicals"**—F.E.W.'s strength is in International Harvester plants. Har-



... **HARRY BRIDGES**, speaking for left, says it won't follow Murray on third party

vester's president, John L. McCaffrey, recently told employees that at least some top officers of F.E.W. are "irresponsible radicals" (BW—Nov. 1'47, p87). He urged employees to plug for a change in union policies—or get new leaders.

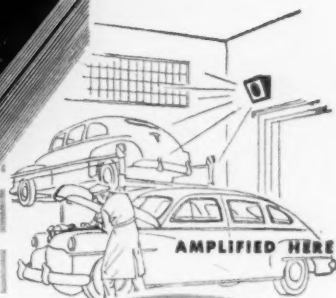
U.A.W., with some 30,000 members in the farm equipment field (F.E.W. represents 77,000), would like to take over. At Memphis, where Harvester has opened a new plant, U.A.W. is pushing an organizing drive. F.E.W., barred from NLRB ballots for lack of non-Communist affidavits, has to stay on the sidelines. Its leaders are afraid this may be only the first of U.A.W. moves to take over in Harvester plants.

• **Alternative**—Proposals that F.E.W. move bodily into U.A.W. were rejected recently by the farm equipment union leaders. Terms offered by Reuther weren't acceptable. It's possible that F.E.W.'s convention next week will consider more favorably a merger with another of C.I.O.'s "Big Three" unions—the U. E., which also hews to the leftist party-line.

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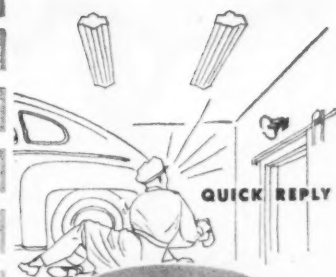
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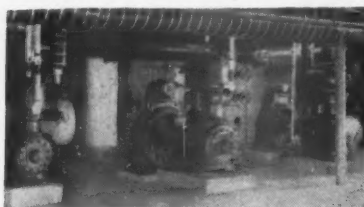




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MAN WITH A UNION: Thomas Reynolds has a unique job as court-named receiver

Union Receiver

College professor picked to run New Jersey independent electrical union, pending outcome of court dispute.

Business is going on as usual this week at the Kearny (N. J.) offices of the Western Electric Employees Assn. In the works are preparations to open contract talks with substantial demands on the company.

But there is one big difference from normal operations: The union activities are being supervised by a court-appointed receiver, with almost unlimited administrative power.

• **College Professor**—Thomas J. Reynolds, associate professor of economics at Rutgers University, is the court-designated "man-with-a-union." His appointment stemmed from a leadership dispute in the 20,000-member, independent labor organization. He'll stay on the job until New Jersey's Supreme Court can rule on the validity of a challenged union election, probably in April.

He might finish sooner, if the two feuding factions can get together.

• **Attention**—While wide attention—and much mail—has been attracted by the receivership, it isn't likely to start a new trend in labor relations. There is only a slight possibility that it offers anything new to be watched in union factional disputes. Reasons:

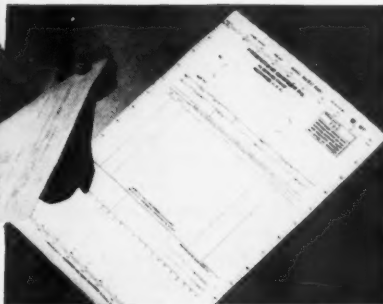
(1) The procedure could be used, generally, only in disputes in independent unions—where there is no higher authority, such as international union officers, to whom protests can

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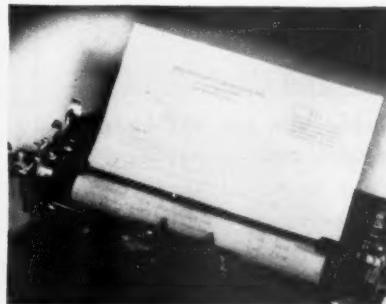


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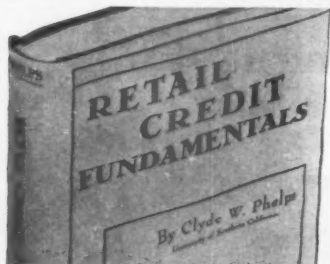
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be taken. Normally, courts require that all union recourses must be exhausted before courts can intervene.

(2) If courts did take jurisdiction, in most states a ruling on the validity of an election would be possible without the red tape of a receivership. New Jersey's antiquated legal code—soon to be streamlined—provides that only the state Supreme Court can decide election disputes.

• **Internal Flareups**—Factionalism has flared frequently in the W.E.E.A.—one of the nation's biggest and most important independent unions. However, it hasn't kept the Western Electric group from successfully resisting strong A.F.L. and C.I.O. organizing drives. And, significantly, internal differences always have been dropped in the past when contract talks were going on.

Feuding reached a critical stage last September during the union's annual election of 25 "employee representatives." Incumbents suspended a vote count, alleging that irregularities by opponents made the election invalid.

Insurgents, claiming a substantial vote lead, hurried into court.

• **Court Action**—New Jersey's Chancery Court ordered votes counted, found that the incumbent ticket had trailed in the election. But when the incumbent bloc refused to vacate—and continued to challenge the election as invalid—the lower court was blocked: It couldn't rule on the election issue.

Instead, it entertained a motion for a receivership, and granted it. According to the court, this prevented an "unconscionable" situation in which challenged officials could have kept control for several months—until the Supreme Court could take up the election case.

• **Quick Choice**—Reynolds was a quick choice for the unique receivership job. He had been active in New Jersey mediation and arbitration work since 1937.

The court gave him broad powers: to take charge of union books and records, collect dues, process grievances, conduct contract negotiations with Western Electric, and otherwise direct union affairs on a business-as-usual basis. He was authorized to name temporary committees and administrators, and to oust them at will. He was not, however, empowered to make any investigation into the union's factional problems. And he was not charged with attempting to make peace between the warring blocks.

Reynolds chose members of the insurgent faction for all routine union committees—including the important contract negotiating group.

• **Fight Goes On**—Meanwhile, the internal tug-of-war goes on. And that hasn't made Reynolds' job any easier. Every decision has to be weighed carefully, so that neither side might feel that its rights are being prejudiced.

Biggest immediate problem for the

receiver involves contract negotiations with Western Electric. Reynolds has put bargaining in the hands of a negotiating committee of W.E.E.A. members. Sole restriction in his appointment was that any agreement with management on conditions and terms of employment must be ratified by the union members.



AIRING VIEWS on inflation curbs A.F.L.'s Green (seated) talks with Sen. Tobey

GREEN'S 45-HOUR WEEK

A.F.L. president William Green this week was on record favoring a nine-hour work day—but management doesn't expect a swing to a 45-hour week. There are strings attached to Green's proposals, made in testimony before Sen. Charles Tobey's Senate Banking Committee.

Green urged that the working day be increased by an extra hour—at existing overtime rates—as part of a fight on inflation. Management, he said, would benefit through higher production. He held that no increase in prices would be necessary. Reason: "By making an uninterrupted use of overhead and equipment, the per unit cost of goods produced in the extra hour would more than absorb overtime compensation."

Green's proposal was provisional. He suggested it as a part of a general anti-inflation program that would include: restoration of the excess-profits tax on corporations, limited price controls over selected commodities, rationing of consumer goods in short supply, credit controls, tax relief for those in lower income brackets, and rent controls.

The longer work-week, with overtime, would be in lieu of demands for pay boosts, if combined with an effective anti-inflation program.

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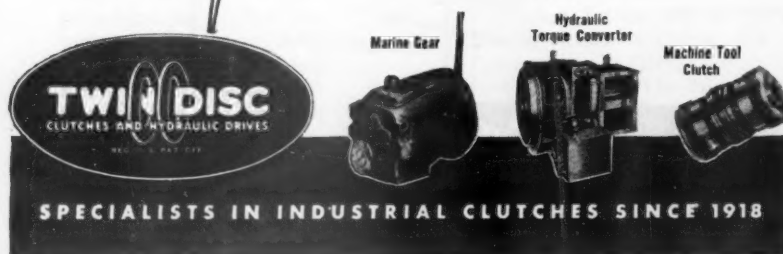
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Union Gets Bill

U.A.W. assessed full cost in arbitration case as result of unique grievance agreement with Ex-Cello-O Corp.

The common practice in arbitration cases is for labor and management to share the expense. Recently there have been instances of employers paying the full cost—often as a result of a union plea of poverty.

But last week in Detroit a union paid the full bill (an estimated \$300) for arbitration.

• **Unusual Agreement**—Ex-Cell-O Corp. of Detroit and C.I.O.'s United Auto Workers wrote an unusual agreement last summer. Its arbitration clause provided that the side that lost the arbitration case must pay the whole bill. The theory behind the clause was that making arbitration expensive for the loser would cut down the number of no-merit cases.

• **Decision**—Last week Ex-Cell-O and U.A.W. officials got the first arbitration decision under their five-month-old contract. Prof. Z. C. Dickinson of the University of Michigan economics faculty decided in favor of the company in a case involving a discharge for inefficiency. He assessed the full costs against the union.

The case probably would have attracted little attention if it hadn't been the first for Ex-Cell-O under the new plan. An employee was fired after a third warning by the company that his work wasn't satisfactory. The U.A.W. local protested, and pressed the case through routine grievance steps.

There had been other grievances since the contract was signed last summer; arbitration had been unnecessary in any of them. The contract arbitration clause generally was credited by both parties with inspiring a mutual incentive to settle short of arbitration. For the first time, in the discharge case, parties weren't able to work out a settlement.

• **Value?**—Detroit labor observers agree that it is significant that only one case in five months has required arbitration. It indicates to them that the Ex-Cell-O plan may have a definite value in cutting down arbitration cases. But they point out that it's rather unusual for cases to go to an umpire in companies the size of Ex-Cell-O. And they cite the good relations between Ex-Cell-O and its union as a considerable factor.

Their advice: It's going to take more time, and more case studies, to answer questions about the total value of Ex-Cell-O's plan.

• **Too New to Judge**—Both company management and U.A.W. workers in

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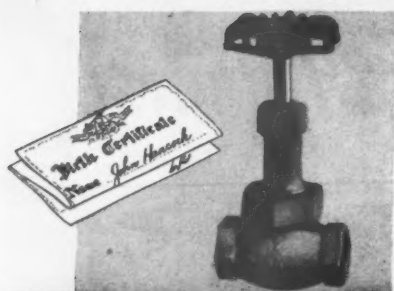
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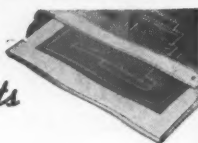
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Ex-Cell-O's Local 49 are fairly well satisfied with the way the arrangement is working. They are inclined to agree that the contract clause is still too new to be judged with any finality. But they still feel that it should do the job it was set up to do: (1) cut down on waste effort in handling grievances; (2) provide for more effective arbitration.

Ex-Cell-O originally asked for arbitration on a joint-pay basis. Union negotiators suggested the loser-pay-all substitute clause; it would be a safeguard for union funds. They argued that the company wouldn't be as inclined to go into "face-saving arbitration," if it might have to pay the full arbitration cost.

• **Politics**—There was another big consideration, too, for Local 49's represen-

tatives: They were conscious of the number of cases that union officials submit to arbitration for political reasons. Flimsy cases often are placed in an arbitrator's hands only to placate an aggrieved member, or bloc. If the union has to foot the bill when a case is lost, officials feel they can set sound standards for arbitration.

The company accepted the union's countersuggestion. Under the language of the clause—as finally adopted—each grievance, or phase of a grievance, is considered a separate referral to arbitration. The arbitrator must name the party who is the loser in each referral. Decisions can be split down the middle, and costs for cases compromised in this way can be divided.

Business Good, But Plant Closes

American Zinc decides to dismantle its 800-man Langeloth (Pa.) factory; executives lay blame on past labor troubles.

Stacks of the 34-year-old American Zinc & Chemical Co. plant outside Burgettstown, Pa., are smokeless this week. Despite the continuing heavy demand for zinc, management has decided that profitable operation is no longer possible. It has ordered the plant shut down and dismantled. All except a skeleton force of the plant's 800 workers have been laid off.

• **Reason**—American Zinc's order caused some soul-searching among employees: The company said that labor difficulties prior to 1947 were responsible.

The plant contract was held by the C.I.O. Mine, Mill & Smelter Workers' Local 95. Until a shakeup during a 108-day strike in 1946, the local's president was C. M. Marino. The company characterized the local leadership under him as one "of hostility and opportunism." There were frequent stoppages, and production was spotty, according to American Zinc.

• **Result**—"Unwise concessions" were made to get badly needed production of zinc and chemicals. Labor relations were so bad that management was afraid to "pour money into the plant for proper maintenance." Strike costs slashed into company reserves.

Charles Abate replaced Marino as local union president in late 1946. The company said his "constructive co-operation" was an important factor in getting a high rate of output (about \$8-million in zinc and chemicals) in 1947. But although he "did everything in his power to correct old abuses," American Zinc said Abate's help was "too late." Concessions couldn't be withdrawn; cost of reconditioning the plant would be too high.

• **Facilities Outmoded**—American Zinc made clear that it wouldn't place all

blame on its past labor troubles. The plant, built in 1914, was fast becoming obsolete. The processes it used for smelting zinc and making byproduct acids are outmoded; new processes are more economical. But, said the company, the plant might have been saved if "present union leaders [could have been] in power long before 1947."

Hardship of the shutdown on plant employees was cushioned by severance pay, given voluntarily by the company. Checks totaling \$300,000 were distributed. Payments to individuals were on a basis of merit, length of service, and "special circumstances"—older employees who might find it hard to get new jobs were paid more; so were heads of families.

• **New Jobs**—A large percentage of American Zinc's work force has found new jobs in the Burgettstown area. Most jobs are some distance from the little soft-coal center, which fears it might become a "ghost town" as workers move out. Its Greater Burgettstown Community Assn. has acted quickly to seek a replacement for its longtime leading industry, and a lost \$9,000-a-day payroll. Brochures have been sent out, advertising the advantages to be had by leasing or buying the American Zinc plant.

American Zinc, and its parent, American Metal Co., Ltd., will make up as much of the lost production as possible at a Blackwell (Okla.) plant. Furnaces there use natural gas, cost less to operate.

The Pictures—Acme 32, 72; Int. News—58, 64, 68, 76; Black Star—19, 85; Harris & Ewing—72; European—85; Mickey Pallas—70.

INTERNATIONAL OUTLOOK

BUSINESS WEEK

JANUARY 31, 1948



France's Premier Schuman isn't asking for simple devaluation of the franc.

He wants a multiple currency system like Italy's (BW-Jan. 17'48, p102). His plan calls for a two-way operation:

(1) An official rate of 214 francs to the dollar for foreign trade.

(2) A "free" market for the exchange of francs for dollars and Portuguese escudos. Here the franc-dollar rate will be set by supply and demand. Guess is that it will be about 350 francs to the dollar.

Aim of the official 214 rate is to boost French sales abroad.

French export prices have just about doubled in the past few months. Foreign orders have come almost to a standstill.

But with the franc at 214, the cost of imports goes up, too (except coal and wheat, financed by interim aid from the U. S.).

Higher import prices mean higher production costs, higher living costs. New wage increases are bound to follow.

Not even the Schuman government could be sure this week that France's inflationary spiral will really halt.

Aim of the free market is to attract the gold and hard currency that Frenchmen are hoarding. (It's estimated that \$2-billion is holed away in France and at least \$500-million in the U. S. and Switzerland.)

A French hoarder who can get a liberal trade-in on his hard money may decide it's worthwhile to disgorge.

If so, the government will get enough hard money to boost France's imports; thus, pump more goods into the home market.

The free market will also be open to tourists, foreign investors, and French exporters. The exporter can change half his proceeds from dollar sales at 214; half in the free market at, say, 350.

It's the free market that raised London's temperature.

For on the free market, the dollar will command a premium of maybe 50% or more (350 francs against the official rate of 214). But the pound—which won't be officially traded in the free market—remains at 864. Thus, in a sense, the premium on the dollar is a measure of discount on sterling.

If this shakes confidence in the pound, unblocked balances held by sterling area countries might leave London.

London banks figure they can hold off this psychological pressure on the pound for at least six months. By then, they hope to have the franc picture clarified.

U. S. government experts favor this view. American bankers aren't so sure.

London's second worry is competition from lower-priced French exports.

That threat will come chiefly in world markets for small autos and high-grade textiles; also in the Middle East market for drugs.

But British traders will take a cut in profit margins before they let the French get too much business.

And London expects to see French costs climb before French production is high enough to be a major threat.

What would really shake the pound would be a string of competitive

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

JANUARY 31, 1948

devaluations in Western Europe. Export prices in Belgium, Switzerland, and Sweden are already too high. These countries might decide soon to follow the French example.

If this happens, you can write finish to the International Monetary Fund.

Moscow is pushing along the Molotov Plan for Eastern Europe.

This week the Soviets got Poland's signature on a major trade pact.

It's a five-year deal for exchange of \$1-billion worth of goods (\$100-million a year each way).

Russia will get Polish coal, coke, textiles, sugar, zinc, rolling stock, cement.

Poland gets iron ore, chromium, manganese, oil products, cotton, asbestos, autos, tractors. The Poles also will get heavy metallurgical plant via a Russian credit of \$450-million.

But Moscow isn't stopping at that.

Plans are being rushed for a "Danubian Federation of Peoples Republics."

It will include Yugoslavia, Bulgaria, Albania, Rumania, Hungary, Czechoslovakia. Members will be linked with each other, and with Moscow, by military and economic ties.

Core of the Balkan group will be a new federated state formed out of Yugoslavia and Bulgaria. (Marshal Tito is slated to be the military boss of the whole federation.)

The new federation will be fused by:

(1) A network of four- and five-year trade deals;

(2) Agreements for pooling resources and production a la the Czech-Polish pact of July, 1947 (BW-Jul. 12'47, p96).

The Yugoslav and Bulgarian economies are now being merged as a step toward political union. Joint schemes are simmering for hydroelectric, automotive, and chemical development.

It's a safe bet the Molotov Plan eventually will lead to a ruble bloc.

Right now there's no yardstick for trade in the Molotov area. Barter deals are made on the basis of world market prices.

So it would be a natural for Moscow to make the ruble an international currency.

Czech engineering firms are going after foreign business in a big way.

Last summer Skoda got a juicy order from Argentina for an alcohol-distilling plant.

Now the Lana Co. has landed a \$1-million job for a dam in Iran.

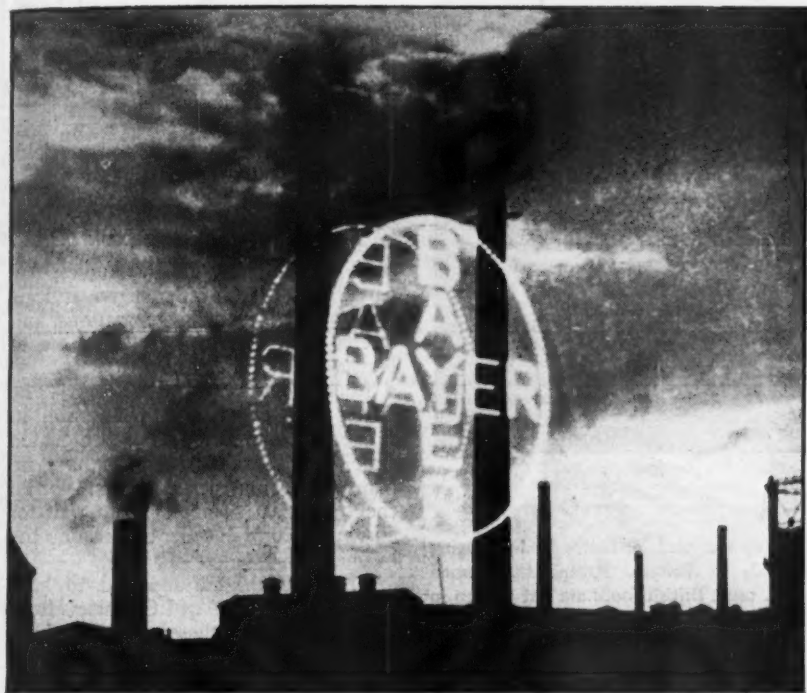
Czech firms may also get some Indian business. The Delhi government is dickering for hydroelectric equipment. And Indian planners are fed up with the two- and three-year delays in getting U. S. and British orders filled.

The Peron government is just about set to hand M. W. Kellogg Corp. a \$30-million contract for three oil refineries in the Argentine.

The plants will be located at La Plata, San Lorenzo, and Lujan de Cuyo.

Total output is to be 1.8-million gal. a day.

BUSINESS ABROAD



BAYER TRADEMARK is one of pawns in four-power struggle over I.G. Farben

The I. G. Farben Headache

Dissolution of vast German cartel slows as powers drift apart, split up plants according to own aims. U. S. has its part 92% done as others lag. Farben won't be hit so hard as planned.

BERLIN—By now the dissolution of I. G. Farbenindustrie was supposed to have been in its final stage. But it's a long way from it—because the recent Foreign Ministers Conference in London was such a dud.

• **Fair Progress**—For the past year, the four occupying powers have been taking the vast German cartel apart, piece by piece. Working by themselves, they have made fair progress at it. But the job has been spotty and uneven. Before London there was some hope that Britain, Russia, France, and the U. S. could get together for a last, concerted shove. But by last week the split between East and West had made it clear that the work will be slowed down.

This means that no early decision can be expected on certain major problems that are holding up a final disposition of the unsavory cartel. The big issues:

(1) The method and timing of the sale of Farben's assets and stock to "acceptable" private buyers;

(2) How to dispose of Farben's many German patents and trademarks—such as world-famous "Bayer";

(3) How deep reparations should dig into Farben's former properties and assets.

• **Needed: Basic Agreement**—For their own part, the western powers must reach some basic agreement on how far to go in splitting up Farben into independent units.

Originally all four Allies saw eye to eye on I. G. Farben. Within six months of the German surrender the Allied Control Council passed Law No. 9. Under it, the council seized all Farben property with the express purpose of dissolving it.

There were no illusions about the complexity of the job that the Allies were tackling. The Farben combine owned, controlled, or had interests in more than 400 German firms, another 500 foreign enterprises. It controlled 85% of Germany's chemical industry. Its assets, conservatively estimated, were more than \$2.5-billion. Its 1943 payroll totaled 250,000 people, its sales more than \$1.2-billion.

• **Master Plan**—The master plan for smashing this industrial gargantua took

three major lines: (1) breakup into independent units; (2) liquidation of assets not essential to these units; (3) disposal of other firms tied loosely to I. G.

First step was the destruction of the centralized sales and bookkeeping system at Frankfurt, center of the I. G. web. Next came the systematic breakdown into independent, self-sufficient units. Farben control of other companies was assumed if the cartel owned more than 50% of their stock. If less, control officers in each zone will eventually find buyers for these holdings.

For the past year the organization of the separate managements, staffs, and sales forces for the detached units has been under way—with varying degrees of success.

• **Breakup Score**—The U. S. has made the best score in the breakup job to date. It has carved 47 independent units out of Farben property in the American zone. All told, 92% of I. G.'s assets in the zone have been earmarked one way or the other—either to become new companies or to be liquidated as war plants.

But the French and British have been stalling. The British created 45 units in their zone and then stopped. They have taken no action at all on 75 installations, including I. G.'s "Big Five" at Leverkusen, Dormagen, Elberfeld, Krefeld, and Uerdingen.

The French tally runs to 16 independent units, numerically a good score. But France has done nothing about the great Ludwigshafen plant, which comprises no less than 92% of all Farben assets in the zone.

Soviet Russia, on the other hand, has a better record. It has created 31 independent units and earmarked almost all the other segments of I. G. in its zone. But its policy for disposal of the new units differs sharply from the practice of the western powers. It has vested



LEUNA WORKS: Reparations for Soviet?



Supermarket Goes to London

British housewives, used to long hours of queuing up at the butcher's, the baker's, and the greengrocer's, are getting a taste of shopping in an American-type supermarket. Marks & Spencer, Ltd., a department-store chain, recently opened this shop in a London suburb. If the store clicks, the company says it will open more.

Executives believe the store may also

point up the need for better food-packaging methods in Britain. Except for canned goods, most British foods are not put up in packages suitable for self-service markets. So Marks & Spencer has put in a special packaging room of its own. As more supermarkets crop up in England, they may become potential outlets for American packaged foods.

title to them either in the German state governments in the zone or in Soviet stock companies.

No matter what happens, I.G. probably won't be ground up quite so fine as had been intended. The reason for the change in plans is economic rather than political.

• **Integration**—Prewar, I.G. reached a high peak of integration and interplant dependency. As a result, some of the newly severed units had their sources of supply cut off. Or it was found that they could turn out only the components of some finished I.G. product.

A good example is that of Hoechst, a U. S.-zone plant scheduled for division into three independent units: plastics and solvents, nitrogen and fertilizer, dyestuffs and pharmaceuticals. This split never went through. It would have cost too much to provide separate power, rail, and dock facilities. And it would have crossed up interchange of raw materials between the plants.

• **German Plan**—The Germans themselves have broached an even larger plan to the two powers. They want two former combines of I.G. to remain. The first would be composed of Hoechst, Mainkur, Offenbach; the other would comprise the five big plants which the British have left untouched. The British, judging from their cautious attitude toward de-cartelization, might well favor this idea.

In the western zones, the new companies have been placed under appointed German trustees. These men are to keep control until the powers adopt a unified plan for final disposition of ownership. And this is where the four powers fall out of step.

• **British-American Plan**—The British and Americans have one plan. Under it the German public is to get a crack at buying up the shares of the newly created companies at controlled prices. (Foreign stockholders in I.G. or its controlled companies will participate according to their shares in the former combine.) Funds coming in from the sale of assets that have been declared nonessential will go to the company's creditors.

The British and Americans have agreed not to go ahead with these sales until the German currency has been reformed. Latest word from the U. S. Farben Control is that it will wait a "reasonable time" before it opens up shop.

The French, however, balk somewhat at this plan. They don't think it will be easy or safe to unload huge blocks of stock in the near future. And they want the allied powers to keep control of major I.G. enterprises as a security measure. (The French military now runs Ludwigshafen, whose nitrate output goes mainly to France.)

• **Soviet Reparations**—Meanwhile, the Soviets follow a policy strongly influ-

enced by their ideology and their reparations demands. They want to dispose of each independent unit according to the laws and constitutions of each Laender (German state). This means, of course—in the Russian zone—ownership by the state government itself or by a Soviet stock company.

Significantly, the five biggest units in the Soviet zone—Leuna, Bitterfeld, Scoupa, Wolfen Farben, Wolfen Agfa—are in the hands of Soviet stock companies. Whether the Russians intend to turn these over eventually to the state governments, no one knows. Apparently the Russians look on at least some of these plants as reparations, and reserve the right to pack them off to Russia at any time.

• **Stockholders' Compensation**—The Soviet plan calls for compensation to former stockholders on a graduated scale. The Russians seem to have no plans for paying back creditors. Nor do they feel that it's necessary to wait for currency reform in order to finish up the business.

The Russians are reported to have removed some 40% of I.G.'s assets from their zone. But these removals have tapered off because of trouble in setting up dismantled machinery, and because of Russia's urgent need for chemicals.

• **Farben Gets Break**—As far as the western zones go, Farben will not take so much of a beating from reparations as it seemed at first.

For one thing, as an aftermath of the falling-out at London, it is quite unlikely that the Soviet will be given the 25% share of the reparations it was to get from the other zones. For another, the western powers may forego their own reparations for the sake of raising Germany's ante in the European Recovery Program.

• **Patents**—The disposal of Farben's German patents and trademarks has also been a headache.

The British and Americans would let any purchaser of a Farben plant use any of the some 30,000 I.G. patents. All other applicants—domestic or foreign—could use the patents on a small royalty basis.

The French, however, want to allot patents to specific companies. And the Russians prefer each company to keep its own patents.

• **Trademarks**—The powers also clash over Farben's 10,000 trademarks. The U. S. wants to outlaw any trademark using either "I.G. Farben" or the name of any of the cartel's chief elements. Specifically, this means "Agfa" and "Bayer."

The British here side with the Russians, who want to outlaw only "I. G. Farben," or variations of it. Apparently the Soviet counts on some of these trademarks—notably the world-famed

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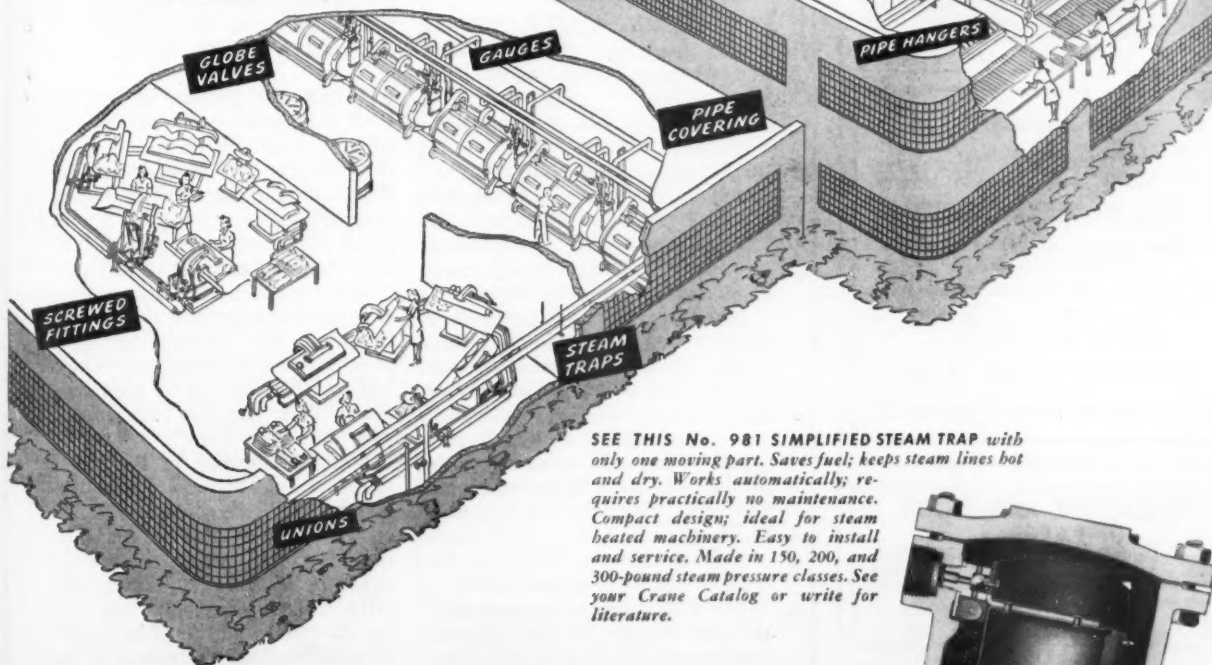
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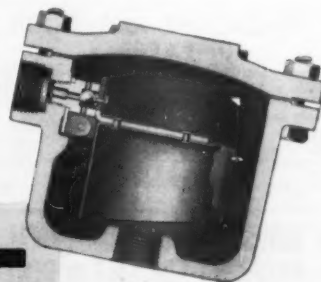
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NAT'L INDUSTRIAL REAL ESTATE BULLETIN
of BUSINESS WEEK

"Agfa"—in selling export goods made in
Farben plants.

• **Foreign Holdings**—And there are still
other problems. None of the powers, for
instance, has taken action on I. G.'s for-

eign property. Title is now vested in the
German External Property Commission.
This group must eventually get rid of it
in consultation with the central Farben
Control Committee.

MOSCOW LETTER

MOSCOW—Russia's economic
policy, like its foreign policy,
is geared today to the concept of
a two-camp world. That's why
Soviet leaders are now pushing to
wind up the Five Year Plan a year
ahead of schedule.

In the Soviet primer, economic
strength is the underpinning of
military might. Thus the twofold
aim of each of the four Five Year
Plans has been the same: (1) to
create the economic conditions for
a going Communist society; and
(2) to build a powerful base for
the defense of that society.

Soviet leaders believe that World
War II vindicated their calcula-
tions. They figure they won an
economic victory as well as a mili-
tary victory over Nazi Germany;
in their book, lend-lease supplies
had little or nothing to do with
their success.

FROM THE KREMLIN'S an-
gle, these were the chief eco-
nomic factors involved in the Rus-
sian victory:

(1) By 1941, Stalin had pushed
through a sweeping revolution in
the location of heavy industry. This
included the development at record
speed of the natural resources in
the Urals—particularly the creation
of a fuel metallurgical base to com-
plement the one in the Ukraine.

(2) The railway contacts were
strengthened between western Rus-
sia and the Urals and Siberia, made
possible the wartime "miracle of
the railways." Not only were troops,
arms, and supplies moved to the
fronts when they were urgently
needed; the railroads also evacuated
the workers and equipment needed
to reestablish 1,360 large plants
(chiefly military) in the places be-
yond the reach of enemy planes.

(3) The Soviet government built
up vast reserves of raw material,
food supplies, and equipment. Here
the Russians think they still have
the edge on any capitalist country,
including the United States. They
regard the peacetime accumulation
of huge government reserves by
the U. S. as unfeasible because of

the opposition from private in-
terests.

PROGRESS in building up
Russia's postwar economic
power was none too promising at
the start. But by July, 1947, Soviet
figures showed prewar outputs on
coal, aluminum, copper, nickel,
power, tractors, and machine tools.
By October the average gross
monthly output for all industry
was back to prewar.

In November, Leningrad workers
were "inspired" to come up with a
"challenge": Complete the Five
Year Plan in four years. The tim-
ber, coal, railway, oil, and steel
workers quickly took the cue. The
race between industries was on.

This race is no simple socialist
competition among the individual
workers, plants, and industries. It
is the Soviet Workers' "reply to
the Marshall Plan"—a challenge to
the program of the "imperialist
camp led by the United States."

IT LOOKS NOW as if the
Soviet government has got by
with the abolition of rationing. In
the first few days of open trading
there was hoarding. But it appears
that stocks of food—at least of
bread, sugar, meats—are sufficient to
bear the load of added purchases.

The open-market prices have
swooped down to meet the compe-
tition of the unified state-store
prices. The cooperatives, which
had had the right to fix their own
prices, have also cut back to the
new state-store level.

Since devaluation of the ruble,
shoppers in Moscow have de-
manded higher quality in consum-
ers goods. V. Ganshtak, manager
of Moscow's main department
store, the Mostorg (Americans here
often call it Macytorg), said that
his store had sold a million articles
to a half-million customers in the
first few days of open trading.
Ganshtak said his store employs 100
inspectors who have rejected as de-
fective upwards of a million rubles'
worth of goods supplied by factories
during the past nine months.

Bank for Small Business Has Busiest Year

OTTAWA—Three years ago, the Canadian government set up the Industrial Development Bank as a subsidiary of the Bank of Canada. Its purpose: to provide medium- and long-term credits to small industry.

• **Biggest Year**—Last week the new bank reported that its business for the 1947 fiscal year (ended Sept. 30) was the heaviest in its history. It authorized 177 loans during the period, for a total of \$14.7-million. This brought net total authorizations at the end of the fiscal year to \$19.8-million; to handle this volume, the bank was forced to call up its entire authorized capital of \$25-million.

Earnings from interest on loans during the year came to just over \$400,000. Amount of loans actually outstanding increased from \$5.1-million to \$13.3-million.

• **No Losses**—So far the bank has taken no losses on its loans. It underscores this fact in its latest report, points out that it operates in a field considered too risky for commercial banks. It attributes its record to the "particularly favorable level of business conditions."

But the bank is taking no chances. It is now hedging against possible losses in the future by setting up a reserve fund of \$200,000. This comes out of the \$509,000 profits it amassed during 1946 and 1947.

• **Customers**—Heaviest borrowers have been pulp and paper products industries, which account for 17% of the loans authorized thus far. Chemical industries come next (14%), followed by food and beverages (12.1%), furniture and wood products (7.3%), metal products (7.2%).

CARGO FLEET BOOST

TORONTO—Thanks to Canada's war surplus, a small Nova Scotian steamship line will soon blossom into one of the world's big cargo fleets.

The government has decided to sell 58 Canadian-built wartime freighters to the Acadia Overseas Freighters of Halifax. These surplus ships are 10,000-ton freighters of the "Fort" type. The price for the lot, according to Canada's Reconstruction Minister C. D. Howe, is about \$15-million.

The Nova Scotian line, which is headed by 32-year-old Harry Mathers, already owns 13 ships. And it plans to have another 10 in operation before the end of the summer. Delivery of the 58 surplus vessels, however, will take somewhat longer. They are now under charter to the British Ministry of Transport, which doesn't have to let them go until 1950.

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READERS REPORT:

Publiker's Facilities

Sirs:

I am sending the following material . . . to correct the errors with respect to Publiker Industries, Inc., contained in your article entitled "Distillers Fight Grain Controls" [BW—Jan. 24 '48, p. 25].

Publiker Industries, Inc., was founded in 1913 for the purpose of producing ethyl alcohol in various forms for industrial and beverage purposes. In 1924, the company greatly expanded its facilities through the erection of its Bigler St. Plant, which has long been the largest alcohol plant in the world.

With the repeal of prohibition in 1933, Publiker actively entered the beverage distilling field through a subsidiary, Continental Distilling Corp. The original Continental plant now has the largest capacity of any beverage distillery in the world. When Publiker entered the distilled spirits field, competitors like Seagram and Hiram Walker had not yet acquired their first U.S. plants, while Schenley and National Distillers were still to begin the acquisition of other companies, which is largely responsible for their present size.

When war came, Publiker along with other producers, concentrated its vast facilities on the production of alcohol for their wartime program. Without waiting government action, Publiker, in the summer of 1941, made arrangements to use a large part of its existing fermentation and distilling capacity for the production of industrial alcohol at its Bigler St. Plant. As a result, the company was able to handle 45,000 bushels of grain a day.

Immediately after Pearl Harbor, the Publiker company applied for priorities to construct at its own expense 65,000 bu. additional daily grain-handling facilities. The government delayed action on this request until it developed a grain-handling program for the entire beverage and industrial alcohol industry. Eventually, as part of this program, additional grain-handling and feed recovering equipment was installed at Publiker's plants at government expense. However, practically every U.S. distillery and industrial alcohol plant which could possibly contribute to the war effort, including all of the major companies, received government aid. . . .

This wartime program did not add a single gallon to Publiker's fermentation or distillation capacity, which had been built at Publiker's own expense long before the war.

B. W. BERGMAN

PUBLIKER INDUSTRIES, INC.,
PHILADELPHIA, PA.

British (Government) Employees

Sirs:

The McGraw-Hill editorial, Political Action—Labor's Blind Alley [BW—Dec. 6 '47, p. 76] states: "Civilian employees of the British government have increased by 50% since before the war, putting one worker out of ten on the government payroll."

In case there is any ambiguity it may be useful to review the actual figures. The numbers employed in the "public service" at the end of December, 1946, are shown in the recent Economic Survey as 2,130,000 compared with 1,465,000 in June, 1939. It is, however, misleading to regard these as civil servants because they include local government staffs. They also include police, National Fire Service, Civil Defense, employees of NAAFI [British equivalent of the USO], British employees of UNRRA and the Allied Control Commission, and industrial staffs of government departments not classified to a particular industry.

Moreover this increase is not the creation of the present British (Labor) government. In the total mobilization of manpower and resources during the war, the number of public service employees (including the classes above) rose from 1,465,000 in June, 1939, to 2,030,000 in June, 1945.

The numbers in the British nonindustrial civil service in June, 1945, were 715,000, including some 220,000 employees of the post office operating staff. This figure had fallen, by the end of September, 1947, to 690,000, including 216,240 post office operating staff. This is admittedly a substantial increase over the 1939 figure of 400,000—which included 183,000 post office operating staff; but when considered with the new services which the war has imposed on Britain, it gives perhaps a more accurate impression than your statement.

A. McD. GORDON

BRITISH EMBASSY,
WASHINGTON, D. C.

• We would be the first to agree that the Labor government is not responsible for every bit of the increase in government employment in Britain. We would be just as insistent, however, that the record as a whole indicates that it is responsible for most of it.

In the United States, total government employment—both national and local—is down about 10% since the war; it's up about 5% in Britain—in the period during which the Labor Party, with its program of socialization, has been in charge.

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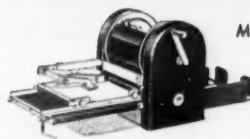
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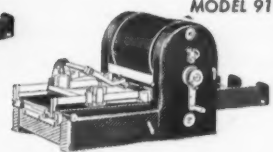
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THE TREND

IS THERE ENOUGH PURCHASING POWER?

IS PURCHASING POWER—the consumer-purchasing power necessary to sustain the present boom—running out?

Currently this question generates much more heat than light. How you look at it is apt to depend on who you are. To those with relatively fixed incomes, the soaring costs of living seem an unmistakable omen that consumer-purchasing power cannot hold out much longer. To sellers of a large variety of things, the all but riotous scramble of consumers to buy certainly does not suggest that the wells of purchasing power are going dry.

Some economists are offended by even the posing of the question. They snort that production is the true measure of purchasing power. Any consideration of purchasing power apart from production, they say, is fanciful. They are likely to go on and make some derogatory references to the late John Maynard Keynes. They count him the principal popularizer of the notion that consumer-purchasing power provides the drive for the economy.

Attractive as we find this controversy, we do not intend to go into it here. Instead we report to you* the results of a considerable effort to get a factual answer to the question: Is consumer-purchasing power running out?

THE CHART in the middle of the page summarizes our findings.

Here is a play-by-play account of how we developed those findings from government sources (the fount of almost all statistics on the national economy):

The figures on consumer incomes we took as they came. They include all incomes except those derived from such irregular and unreported activities as picking pockets. Income taxes and other federal, state, and local government levies are taken out; what is left is net consumer-purchasing power.

Against the income figures, we plotted consumer purchases, which also came from highly-detailed government sources. They cover all the money people pay out for everything—from food and housing to hunting dogs. The figures are adjusted to account for what Americans

spend abroad and what visiting firemen spend here.

To find the value of this country's output of consumer goods, however, we had to develop a new series of figures. Total output is larger than total consumer purchases because, in the short run, not all consumption goods that are produced are consumed. Some production goes into inventories and some of it is exported. We did, however, take the figures on consumer expenditures as a point of departure and added the figures on inventories and exports to them.

We took care of the inventory gap through some statistical shenanigans. The government's inventory figures are not broken down between consumer goods and capital goods. But from detailed studies made at the time the 1939 Census was taken, we could estimate the percentage of consumer goods in various types of inventory. These figures we adjusted to take account of distribution markups. The result: the value of consumer goods in inventories at the prices the customer pays. Adding it to consumer expenditures plugged one gap.

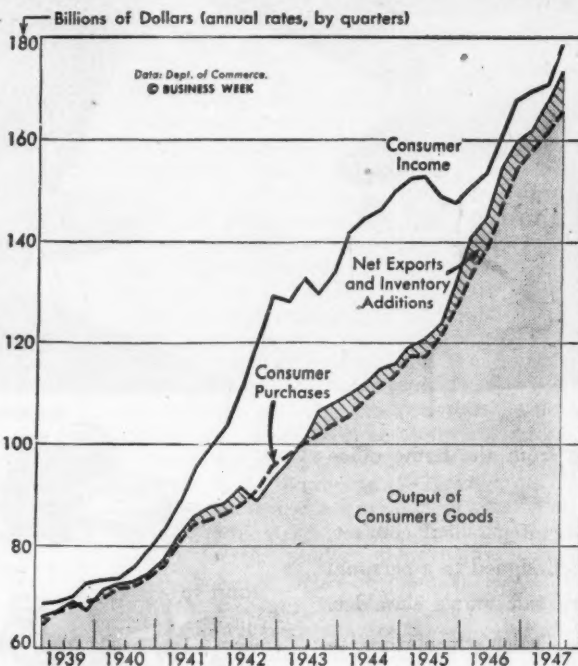
The question of exports was another matter. We took the total value of consumer goods exported and subtracted from it the value of consumer goods imported. This gave us our net exports.

Adding in the value of net exports gave us the dollar value of all the goods produced for consumers at the prices they are paying, happily or unhappily. And that, of course, completes our chart.

IT IS THE BEST statistical answer yet, as far as we know, to the purchasing-power question. We shall keep it up to date and print it from time to time. As we do so, we shall try to improve it; for we know it will stand a lot of improving. If you can help us, please do so.

We should also like to have your judgment on how to interpret our chart.

Whether we want them or not, arguments on the question are coming to boil again. It was discussed at length in the President's Economic Report. It will be debated more and more as 1948 goes on. Our aim is to cool off the arguments with a shower of facts.



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